

SERVING ACROSS THE NATION



ANNUAL REPORT TWENTY19



National Bank of Pakistan
نیشنل بینک آف پاکستان



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VISION@N

To be the Nation's leading bank enabling sustainable growth and inclusive development

MISSION@N

We will achieve our vision by subscribing to the qualities captured by the word IMAGINE:



Integrity is the cornerstone of everything we do

Market leadership is what we aim across all our target sectors

Agility and strategic nimbleness will help us adapt to changing market conditions

Good governance and transparency

Innovation to provide for the customer needs of tomorrow

Nation building remains our priority

Employee engagement through a merit-based culture

Our National Impact

**P2G and G2P
Payments**

PKR 7.3 Trillion

**Taxes Paid to the
Government**

PKR 11.7 Billion

**The Largest Lender
to Agriculture**

**PKR 225 Billion
Disbursed to Farmers**

**Value Distributed
to Depositors**

PKR 110 Billion

**The Largest Bank in
Pakistan in terms of
Assets, Advances and
Investments**

**Total Assets
PKR 3.1 Trillion**

**Inclusive Coverage
Across the Nation**

7+ Million Customers

**The Largest Provider
of Credit to the
Corporate Sector**

PKR 615 Billion

Direct Employments

**Bank Staff 15,188
Others 2,102**

**Best Bank for
Agriculture**

Award - 2019

**The Highest Portfolio
of personal loans –
“Advance Salary”**

PKR 95 Billion

**The Largest Rural
Branch Network**

750+ Branches

**Leading Role in
Promoting Home
Remittances
Market Share**

12.3% in 2019

450,000+

**Applications
Received under the
Kamyab Jawan Scheme**

**Value Created
for Employees**

PKR 45.2 Billion



Introduction to the 71st Annual Report

This is the 71st Annual Report of the National Bank of Pakistan (NBP), “the bank”, that covers the Financial Year ended December 31, 2019. We wish you a pleasant read!

Strategic Orientation

This Annual Report provides stakeholders with insight into the Bank’s financial and non-financial information while highlighting links between the external & internal environment, business strategy & business model, integrated risk management and corporate governance system.

Scope & Contents

This Report encompasses both financial and non-financial information pertaining to the parent company, i.e. National Bank of Pakistan, as well as consolidated information of the Group that includes the Bank, its subsidiary companies, a joint venture bank and several associated companies. It contains:

- (i) Standalone Financial Statements of the parent entity i.e. the Bank; and
- (ii) Consolidated Financial statements of the Group, that includes seven subsidiary companies, a joint venture bank and several associate companies depicted in the Consolidated Financial Statements.

Unless stated otherwise, operations of the parent entity account for more than 99% of revenue, assets, borrowing and employees. In this Report, the terms ‘PKR’ and ‘Rs.’ have been used interchangeably for Pak Rupee.

During the year under review, no significant changes in the organisation type, structure, ownership, supply chain or topic boundaries took place. No changes in reporting or restatements are made in the comparative financial, social or environmental information, other than the adoption of IFRS-16 “Leases” which became applicable effective January 01, 2019.

Accordingly, the Right-of-Use Assets “ROUA” for Property Leases are measured on a prospective basis. As per IFRS-16, Rent Expense will be replaced by Depreciation on Right-of-Use Assets and Financial Charges on Lease Liabilities.

An Integrated View

NBP, being a systemically important bank, has a greater impact on socio-economic growth in the Country. In its strategies, the Bank considers the interest of its various stakeholders, particularly the shareholders, regulators, customers, employees, and the communities where it operates.

In the course of its operations, the Bank receives inputs i.e. CAPITALS (Financial Capital, Infrastructure Capital, Human Capital, Natural Capital and Social & Relationship Capital), and processes these for value creation in the short, medium and long term. To present a picture about interconnectedness between its financial and non-financial information, the Bank is moving towards an integrated reporting model that builds understanding and a holistic view about the Bank, its business model, external influences, the value creation process, business strategies, resource allocation for strategy execution, opportunities & risks, and performance against the defined strategic objectives. This form of reporting improves the quality of information about the inputs used in the process of value generation, and the value generated for various types of stakeholders. This report also comments on linkage of the Bank’s CSR activities with the Sustainable Development Goals.

Responsibility & Basis of Preparation

The Bank’s management is responsible for the preparation and fair presentation of the financial statements. These financial statements conform to the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962, the Companies Act, 2017 (XIX of 2017) and the related directions of the State Bank of Pakistan, SECP and other regulatory authorities.

The Medium



This year too we will distribute 12,000+ copies of this Annual Report through portable CD. This will save 1.5 million sheets of paper.

External Audit & Assurance

Messrs Deloitte Yousuf Adil Chartered Accountants and Messrs Grant Thornton Anjum Rahman, Chartered Accountants “external auditors”, have audited & assured both Standalone, and Consolidated Financial Statements and the other information provided in this Report. The Board of Directors and the Management have no other relationship with the external auditors apart from their engagement as Independent Auditors of the Bank and the Group.

The Medium

For reasons of environmental sustainability, we only produce a limited number of printed copies. However, to cater to the communication needs of the Bank’s diverse stakeholder groups, this Annual Report is available in the following medium and formats.

1. A limited number of printed copies have been produced for those who have already requested the same.
2. The online version of this report is available on our corporate website and may be accessed at <https://www.nbp.com.pk/InvestorInformation/index.aspx>
3. The report is also available in a digital format (on CD). As allowed by the SECP, this Report is dispatched to the shareholders in a digital format.

Information Quality

Every effort has been taken to provide credible & meaningful information with the aid of visual elements such as figures, graphs and tables in a consistent manner facilitating clarity and comparability. Qualitative criteria have been taken into account, including Materiality, Comparability, Accuracy & Consistency, Balanced View and Credibility and Reliability of the information provided.

Other Information



We also have a presence on:

<https://web.facebook.com/NBPTheNationsBank/>

<https://www.instagram.com/nationalbankofpakistan/>

<https://www.youtube.com/channel/UCcl-feuO5V4sCclm0xigzVg>

Contact & Queries



We welcome our readers’ enquiries, comments and suggestions on this Annual Report. Readers may please contact the office of the Chief Financial Officer:

The Chief Financial Officer
National Bank of Pakistan
2nd Floor, NBP Head Office Building,
I.I. Chundrigar Road,
Karachi.

Stakeholders may also contact our Investor Relations Office by email at: investor.relations@nbp.com.pk

Our Profile

The Largest Pakistani Bank

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its Registered and Head Office is situated in Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (2018:1,504) branches in Pakistan and 21 (2018:21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of the Endowment Fund for Student Loans scheme.

With a total asset base of PKR 3.1 trillion, (USD 20.2 billion) and accounting for ~11% of total industry assets, the Bank has been nominated as a Domestic Systemically Important Bank by the State Bank of Pakistan. The Bank has wide local and international outreach through a network of branches and ATMs, subsidiaries, representative offices, agency tie-ups and correspondent banking relationships, etc.

70 Years' Legacy of Serving the Nation

The Bank's origins date back to 1949, constituted through the National Bank of Pakistan Ordinance 1949 promulgated on November 09, 1949. The Bank's 15,188 employees serve over seven million customers through a wide local and international network of branches, subsidiaries, agency arrangements, Business Promotion Officers in Europe, America, Central Asia, Far & Middle Eastern countries and correspondent banking relationships.

Financial Soundness

With a moderate risk profile, strong capital base, access to stable funding, healthy liquidity, a strong domestic franchise entrusted by the Nation, the Bank has been rated AAA/A1+, the highest rating for a local bank by both PACRA Credit Rating and JCR-VIS Credit Rating, with a stable outlook.

The Bank is well-diversified across its major business segments of retail, commercial, corporate & investment, Islamic, inclusive development, treasury and international operations. The Bank's international operations exist in South & Central Asia, Middle East, Western Europe and Americas. Demonstrating its strong domestic franchise, 57.5% of the total assets are funded by customer deposits. The domestic current and savings account (CASA) ratio was 81.8% as at December 31, 2019.

Strong Capitalisation

With PKR 232.61 billion of Net Assets, we are the highest capitalised Bank in Pakistan. The Bank has been designated as "Category-B" Domestic Systemically Important Bank by the State Bank of Pakistan. Therefore, the Bank is required to hold an additional 1.5% loss absorbency surcharge over & above the minimum capital adequacy requirement. Hence, the Bank's minimum capital adequacy requirement stands increased from 11.90% at December 31, 2018 to 14% at December 31, 2019. With the Common Equity Tier 1 (CET-1) ratio at 12.11% (Dec' 18: 12.10%) and overall Capital Adequacy Ratio (CAR) at 15.48% as of December 31, 2019, the Bank is compliant with the enhanced regulatory requirement.



Strong Risk Profile

Receiving the highest rating for a bank, National Bank of Pakistan is rated AAA/A1+ with a stable outlook by both JCR-VIS Credit Rating Agency and PACRA Credit Rating Agency. Its risk profile reflects a restrained risk appetite, a robust funding base, a secure level of liquidity, a sound domestic franchise and consistently stable performance.

Diversification is a strength that spans the Bank's four main business segments i.e. retail, corporate & investment, treasury and international operations, offered through both conventional as well as Islamic banking.

Group Structure

The Bank has subsidiary companies operating in both the financial and

non-financial sector. The Bank's subsidiaries include an Assets Management Company, an Exchange Company and a Securities Brokerage House. Operations by the parent entity i.e. the Bank, however, account for the largest share of Group assets and profits.

Ownership Structure

There are 2,127,513,026 issued & outstanding ordinary shares of the Bank, of which the Federal Government through the State Bank of Pakistan holds 75.2%. Other major shareholders include Foreign Companies (9%) and Public Sector Companies (4.3%).

Significant Shareholding

Besides the subsidiary companies mentioned below, the Bank also has significant shareholding in several

associated companies and a Joint Venture i.e. the United National Bank Ltd. "UNBL", which was formed in 2001 through the merger of the UK branches of National Bank of Pakistan and United Bank Limited. NBP currently holds 45% shares in UNBL. The principal activities of UNBL are to provide retail banking products through its branch network in major cities in the UK; wholesale banking, treasury and money transmission services, and finance facilities to businesses of all sizes. Further details of associated companies are provided in Note 10 to the Financial Statements.

Subsidiaries

CJSC Subsidiary Bank of NBP in Kazakhstan

100%

Profile:

The Company was formed in the year 2001. It provides Commercial Banking Services in Kazakhstan.

CJSC Subsidiary Bank of NBP in Tajikistan

100%

Profile:

The Company was formed in the year 2012. It provides Commercial Banking Services in Tajikistan.

NBP Exchange Company Limited

100%

Profile:

NBP Exchange is the first bank-owned company to start a currency exchange business in the Country. The Company is operating with a network of 20 branches in potential areas of the Country to deal in foreign currency exchange.

NB Modaraba Management Company Limited

100%

Profile:

National Bank Modaraba Management Company Limited manages the First National Bank Modaraba which was established in December 2003. It is a perpetual, multi-purpose and multi-dimensional Modaraba.

Taurus Securities Limited, Pakistan

58.3%

Profile:

It is an unlisted Public Limited Company in operation since January, 1994. Its activities encompass the following areas:

- Equity brokerage
- Financial and economic research

In terms of market share, Taurus is ranked high in the top tier of Pakistan equity brokers.

NBP Fund Management Limited

54.0%

Profile:

It is one of the leading Asset Management Company (AMC) of Pakistan, managing over 115.60 Billion of investors' savings in various investment solutions. The Company has been awarded the highest achievable investment management rating of AM1 (Very High Quality) by PACRA.

* One more subsidiary (76.5%) M/s Cast-N-Link is defunct.

Corporate Information

Name of the Company: National Bank of Pakistan

Legal Form: A listed Public Limited Company established in Pakistan on November 09, 1949 under the National Bank of Pakistan Ordinance-1949.

Accounting Year End: December 31

Board of Directors

Mr. Zubyr Soomro
Chairman

Mr. Arif Usmani
President & Chief Executive Officer

Mr. Farid Malik, CFA
Director

Mr. Imam Bakhsh Baloch
Director

Mr. Muhammad Naeem
Director

Mr. Muhammad Sohail Rajput
Director

Ms. Sadaffe Abid
Director

Mr. Tawfiq Asghar Hussain
Director

Mr. Zafar Masud
Director

Board Committees

Board Audit Committee

Board Risk & Compliance Committee

Board HR & Remuneration Committee

Board Technology & Digitalization Committee

Board Inclusive Development Committee

Board International Franchises &
Remittance Committee

Chief Financial Officer

Mr. Abdul Wahid Sethi

Company Secretary

Syed Muhammad Ali Zamin

Registered & Head Office

NBP Building
I.I. Chundrigar Road
Karachi, Pakistan

Legal Advisors

Mandviwalla & Zafar
Advocates &
Legal Consultants

Registrar & Share Registration Office

Central Depository Co. of Pakistan (CDC),
CDC House, 99-B, Block-S, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi, Pakistan
UAN: 111-111-500

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Website

www.nbp.com.pk

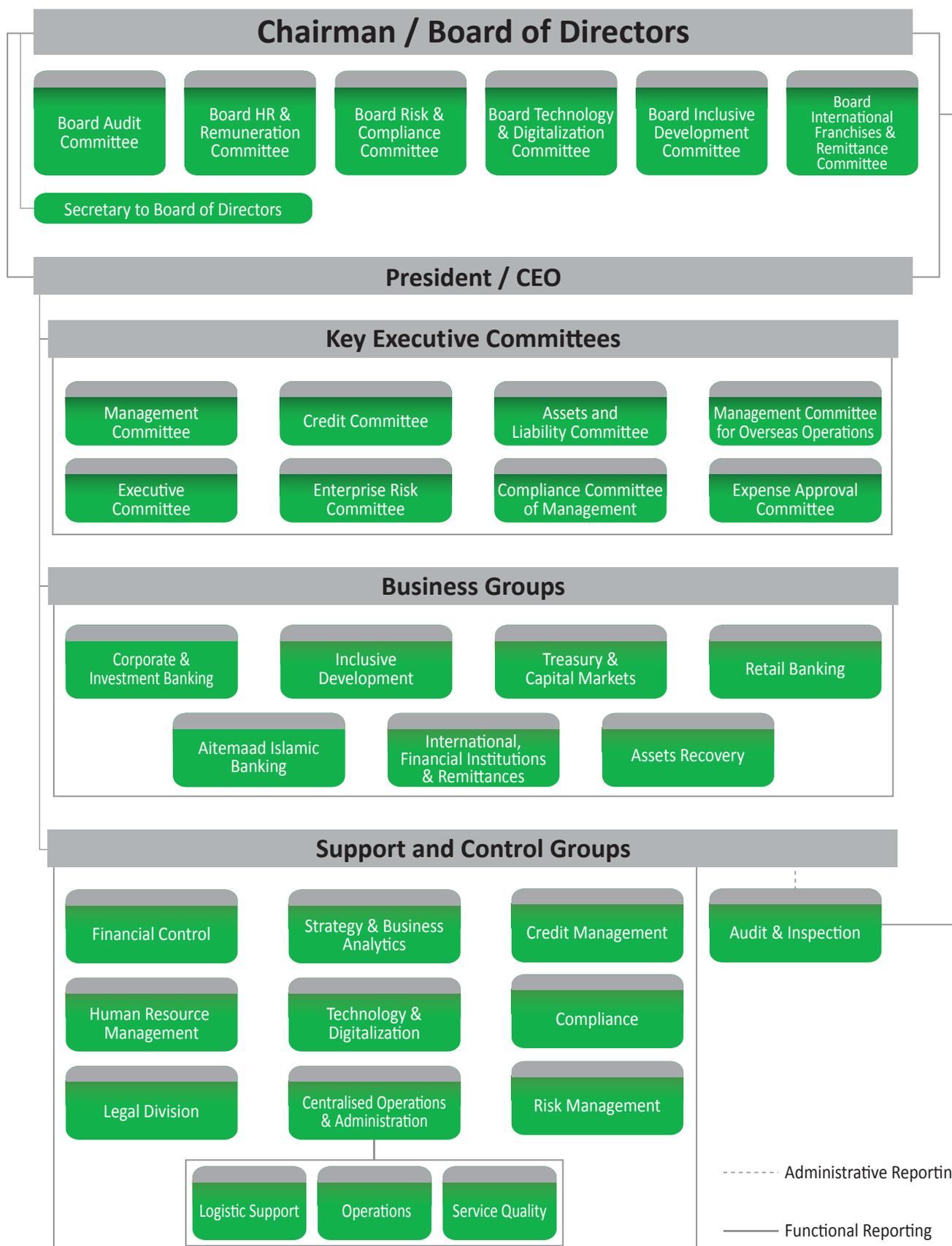
Stock Exchange Listing

Pakistan Stock Exchange Symbol "NBP"

Contact Us

NBP Building
I.I. Chundrigar Road
Karachi, Pakistan
Phone: 92-21-99220100 (30 lines),
92-21-99062000 (60 lines),
Phone Banking: 111-627-627

Organogram



NATURE HAS GIVEN YOU EVERY THING YOU HAVE GOT UNLIMITED RESOURCES
THE FOUNDATIONS OF YOUR STATE HAVE BEEN LAID AND IT IS FOR YOU TO BUILD AND BUILD
AS QUICKLY AS WELL AS YOU CAN SO GO AHEAD AND I WISH YOU GOD SPEED!

QUAID-I-AZAM M. A. JINNAH



BOARD OF DIRECTORS

- | | | | | | | | | |
|---------------------------------------|---|---|---|-------------------------------------|-----------------------------------|---|------------------------------------|--|
| Mr. Muhammad Naeem
Director | Mr. Imam Bakhsh Baloch
Director | Mr. Farid Malik, CFA
Director | Mr. Arif Usmani
President & Chief Executive Officer | Mr. Zubyr Soomro
Chairman | Ms. Sadaf Abid
Director | Mr. Muhammad Sohail Rajput
Director | Mr. Zafar Masud
Director | Mr. Tawfiq Asghar Hussain
Director |
|---------------------------------------|---|---|---|-------------------------------------|-----------------------------------|---|------------------------------------|--|

NATURE HAS GIVEN YOU EVERYTHING
 YOU HAVE GOT UNLIMITED RESOURCES
 AND IT IS NOW FOR YOU TO BUILD
 AND BUILD AS QUICKLY AND AS WELL AS YOU CAN
 SO GO AHEAD AND I WISH YOU GOD SPEED!

QUAID-I-AZAM M. A. JINNAH



SENIOR MANAGEMENT

Sitting From Left to Right

Asma Shaikh
SEVP & Group Chief,
Human Resource Management Group

Falisl Ahmed
SEVP & Group Chief,
Strategy and Business Analytics Group

Muhammad Faraz Haider
SEVP & Group Chief, Compliance Group

Rehmat Ali Hasnile
SEVP & Group Chief,
Industry Development Group

Fouad Farrukh
SEVP & Group Chief, Ahmed Idame-Banking Group
& Administration Group

Tariq Jamali
SEVP & Group Chief, Centralized Operations
& Administration Group

Arif Usmani
President & Chief Executive Officer

Sultana Nabeed
SEVP & Group Chief, Retail Banking Group

Syed Jamal Baqwar
SEVP & Group Chief, Corporate &
Investment Banking Group

Usman Shahid
SEVP & Group Chief, Credit Management Group

Amin Manji
SEVP & Group Chief, Technology & Digitalization Group

Abdul Wahid Sethi
SEVP & CFO, Financial Control Group

Saad Ur Rahman Khan
SEVP & Group Chief, International,
Financial Institutions & Remittance Group

Aamir Sattar
SEVP & Group Chief, Audit & Inspection Group

Standing from left to right

Shahzad Ahmed Karimi
SVP & Principal Staff Officer to the President

S.M. Ali Zamin
Secretary (Board)

Aqib Malik
EVP/Network Management Head North

Mufti Muhammad Imran
Resident Shariah Board Member

Karim Akram Khan
EVP & Group Head, Logistic-Support Group

Saleem Ahmed
EVP & Group Head, Risk Management Group

Muhammad Ismail Usuf
EVP & Group Head, Treasury & Capital Markets Group

Imdad Hussain Khan
EVP/Network Management Head Central

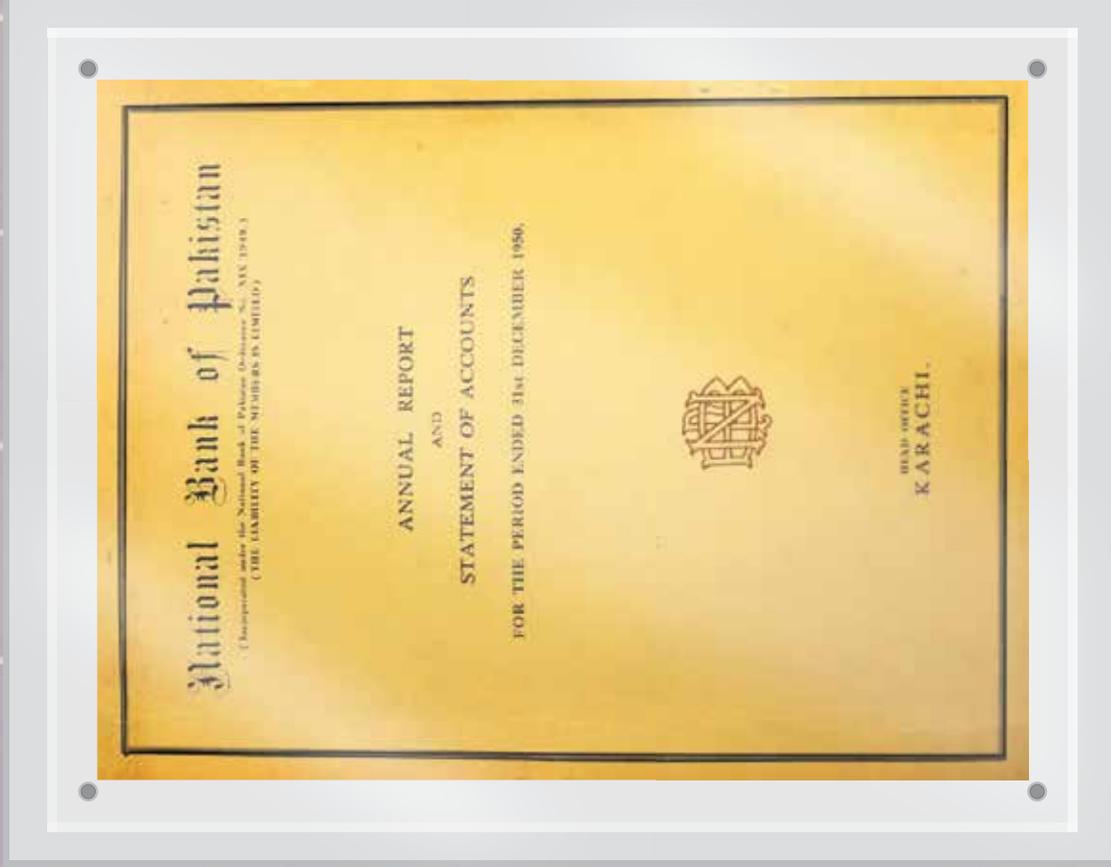
Mehnaz Salar
EVP & Divisional Head, Legal Division

Shaukat Mahmood
EVP & Group Head, Service Quality Group

Adnan Adil Hussain
EVP/Network Management Head South

Asad Saleem
EVP/Secretary Board Committee

The Beginning of Our Glorious Journey



The image shows a table titled 'High Lights of the Balance Sheet' with a sub-header 'COMPARATIVE FIGURES'. The table compares financial data for 31st March 1950 and 31st Dec. 1950. The values are in Rupees (Rs.).

	<u>31st March 1950</u>	<u>31st Dec. 1950</u>
Rs.	Rs.	Rs.
5,20,50,701	Assets	10,42,94,618
1,35,04,375	Govt. Securities	4,93,03,562
3,63,22,896	Total Advances	4,87,47,451
1,51,33,887	Total Deposits	5,57,86,656
1,564	Net Profit	2,57,848
1,564	Carried Forward	1,28,161

A Glimpse of Our 1st Annual Report for the Year Ended December 31, 1950

7 DECADES OF SUCCESS

Every success story begins with a humble step. It was 9th November, 1949, when the National Bank of Pakistan came into existence and since then there has been no looking back. Every year has been a success story in its own right, and this year the Bank celebrates 70 glorious years of trust, quality service and contributions towards economic development in the Country. Moving forward we've set the NBP Wheel in motion for 2020 and beyond to be years full of celebrations, fulfilling promises, realizing dreams, and setting even bigger goals! Let us now closely look at the developments that have taken place at the Bank over almost seven decades...

2010 Till Today... Still Focused & Driven

- The Bank appointed proficient and dynamic Regional Heads to change the destiny of the Bank and help the economy of the country.
- In 2017, the Bank posted the highest ever after-tax profit of PKR 23.03 billion. NBP became the 'Two Trillion Rupee' Bank and is still growing strong.
- In 2013, with the growing popularity of Islamic Banking, NBP successfully launched its brand 'Aitamaad' to offer the true spirit of Islamic Finance.
- Won Bank of the Year Award 2015
- NBP made it to the Guinness Book of World Records by installing the World's Highest ATM.
- NBP is Awarded Agriculture Bank of the Year Award 2019

Reaching the 71st year of this great institution, let us re-dedicate ourselves to our new Vision to become the Nation's leading Bank enabling Sustainable Growth and Inclusive Development.

2000 – 2009... The Millennium

- The decade witnessed a restructuring program, where un-profitable and loss making branches were closed or merged. No. of Regions were reduced to 29.
- National Bank of Pakistan went public with IPO of 23.2% shares and listing at all domestic stock exchanges (2001).
- In 2002, the Bank signed agreement with Western Union.
- The Bank's wholly owned Exchange Company commenced operations in February 2003.
- NBP gained market recognition and received over 30 international awards.

The 1990s... Initiatives & Reforms

- The 1990s were a decade of new financial reforms and initiatives. In 1996, National Discounting Services Ltd. was launched as a wholly owned subsidiary of NBP.
- In 1997, the Bank launched a major reorganization program and offered the Golden Handshake Scheme.
- The Bank became a SWIFT member in 1998. The facility provides modern technology to Bank customers for prompt and convenient cash transactions and remittances round the clock.
- In 1999, the Bank celebrated its Golden Jubilee. By the close of the decade, its market share had reached around 22% and it remained the largest financial institution in the Country.

The 1980s... New Trends and Alliances

- In the 1980s, the Government announced a three year plan for the implementation of an Islamic Economic System.
- NBP introduced a separate and comprehensive procedure for banking under this system from branch level to the Head office.
- Consolidation and reorganization resulted in closure of 286 branches; from 1,646 branches (1979) to 1,360 branches (1989).
- Overseas expansion continued with the opening of a representative office in Beijing (1981) and in Seoul, South Korea (1986); the latter was converted into a branch in 1987.
- The Bank increased its authorised and paid-up capital twice during the 80s, gaining a much broader and stronger equity base.

The 1970s... Restructuring & Growth

- During this period, there was growth in the branch network both at home and abroad.
- The 1970s witnessed the nationalization of Pakistani commercial banks operating in the Country.
- In 1972, the National Bank of Pakistan evolved the Supervised Agricultural Credit Program, and introduced a new methodology of viable credit for small farmers available at their doorstep.
- On January 1, 1974 National Bank of Pakistan along with 13 other scheduled Pakistani banks was nationalised.

The 1960s... Dawn of Developments

- In the 1960s, NBP started the 'School Scheme' to popularize the banking and savings habit. This scheme was offered to industrial workers and school & college students.
- Operative in 1,189 schools and deposits raised to Rs. 2.9 million. By 1969, NBP's "worker scheme" raised the total deposits by factory workers into Rs. 2.84 million and the number of accounts opened had touched 8,767.

The 1950s... The Beginning

- During the 1950s, the Bank undertook the expansion of the branch network.
- The first overseas branch was established in Jeddah, Saudi Arabia (1950), a branch in London (1953) and another branch in Baghdad (1957).
- The Bank took Government Treasury Operations and established currency chests at various locations. It managed currency chests or sub-chests at 57 of its offices. Deposits which constituted 3.1 percent of total deposits of all Pakistani banks in 1949 had risen to 38 percent by 1952.

Awards and Credit Rating

2006

- Best Emerging Market Bank from Pakistan for 2006 named by Global Finance

2007

- Best Return on Capital for 2006 amongst all Banks in Asia by The Banker

2008

- Bank of the Year awarded by The Banker
- World's Best Foreign Exchange Bank 2008 awarded by Global Finance

2009

- The only Pakistani Bank listed in the top 500 banks of the world by The Banker
- Set a Guinness World Record for planting 532,887 mangrove saplings in a single day

2010

- Bank of the Year for 2010 awarded by The Banker
- Runner-up of Corporate Finance House (Fixed Income) Award for the Year 2010 presented by CFA Society Pakistan
- President of Pakistan Trophy awarded by FPCCI in 2010
- Prime Minister of Pakistan Trophy awarded by LCCL in 2010

2011

- 2nd Global Human Resource Excellence Award 2011 administered by Global Media Links in collaboration with Better Pakistan
- Pakistan: Transaction of the Year Award for 2011 presented by Islamic Finance News
- Transaction of the Year 2011 awarded by CFA Society of Pakistan for the private placement and offer for sale of Engro Foods Limited
- Bank of the Year 2011 awarded by The Banker
- Top Corporate Finance House (Fixed Income) for 2011 awarded by the CFA Association of Pakistan
- The Best Earning Markets Bank 2011 awarded by Global Finance Magazine

2012

- Bank of the Year for 2001 awarded by The Banker
- 3rd Global Human Resource Excellence Award 2012 administered by Global Media Links in collaboration with Better Pakistan
- Listed in Top 1000 Banks of the World for the Year 2012 by The Banker

2013

- Domestic Retail Bank of the Year, Pakistan 2013 awarded by Asian Banking & Finance Magazine, owned by Charlton Media Group, Singapore
- Listed in top 1000 banks of the world for the year 2013 by The Banker
- 1st Achievement Award – Gold Medal on Banking and Financial Services – presented by Federation of Pakistan Chamber of Commerce and Industries (FPCCI)

2014

- 2nd FPCCI Achievement Award for 2014 – Banking & Financial Services
- 37th FPCCI Award 2014 – Corporate Social Responsibility

2015

- Bank of the Year 2015 awarded by The Banker
- 1-Link Certificate of Achievement 2015 awarded by Top Three Issuing Banks
- 3rd FPCCI Achievement Award 2015 presented by Banking & Financial Services
- FPCCI Gold Medal Award 2015

2017

- Set a Guinness World Record for installing the World's Highest ATM
- Pakistan Domestic Project Finance Bank of the Year 2017
- Trade Deal of the Year awarded by Trade Finance Program (TFP)
- Bank of the Year 2017

2018

- Asian Development Bank Annual Trade Finance Award for 2018
- Gold Medal from FPCCI for Best Performance in Banking & Finance Sector
- Consumer Finance Product of the Year awarded by Asian Banking & Finance
- Rural Bank of the Year awarded by Asian Banking & Finance

2019

- Best Bank for Agriculture 2019 - Pakistan Banking Awards
- IJ Global Asia Pacific Award 2019 - Onshore Wind Deal



Credit Rating
AAA/A1+

Key Events of the Year

Appointment of the CEO by the Federal Government	February 12, 2019
Annual Financial Statements 2018 approved by the BoD	February 22, 2019
Annual Corporate Briefing	February 22, 2019
70 th Annual General Meeting	March 28, 2019
NBP becomes the 1 st Bank to display the Cricket World Cup Trophy 2019	April 14, 2019
1 st Quarterly Financial Statements approved by the BoD	May 22, 2019
NBP signed a 'Bancatakaful' agreement with Jubilee Life Insurance	August 19, 2019
Half-Yearly Financial Statements approved by the BoD	August 28, 2019
Kashmir Solidarity Hour Observed	August 30, 2019
MoU Signed with the Excise and Taxation Department for the collection of Road Tax through NBP Channels	October 04, 2019
3 rd Quarterly Financial Statements approved by the BoD	October 29, 2019
Muhammad Asif of NBP won the World Snooker Championship	November 09, 2019
70 th Anniversary celebrations	November 13, 2019
NBP established banking facilities at Kartarpur Sahib Corridor	November 23, 2019
NBP, IGEA signed Strategic Cooperation Agreement	December 03, 2019
NBP won 'Award for the Best Bank for Agriculture in Pakistan'	January 13, 2020

Financial Highlights



Key Financial Indicators - 2019

Profitability

Revenue

PKR 108.1 Billion

Pre-Provision Profit

PKR 42.2 Billion

PAT

PKR 15.8 Billion

RoA

0.53%

RoE

10.22%

Financial Soundness

Total Capital Ratio

15.48%

CET-1

12.11%

Leverage Ratio

3.36%

Liquidity Coverage

148%

Net Stable Funding

233%

Coverage

Active Customers

7 Million+

ATMs

1,350+

Branches

1,530

Correspondent
Arrangements

750+

Full Time Employees

15,188

Asset Quality

Gross Advances

PKR 1.2 Trillion

Net NPL Ratio

1.4%

NPL Coverage Ratio

90.2%

Credit Rating

AAA/A1+

Financial Position

Total Assets

PKR 3.1 Trillion

Net Assets

PKR 232.6 Billion

Manufactured Capital
(Fixed Assets)

PKR 55 Billion

5Y CAGR in Assets

15%

Deposits

Total Deposits

PKR 2.2 Trillion

CASA Deposits

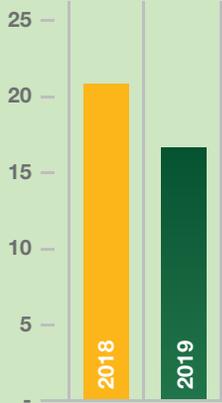
81.8%

HIGHLIGHTS

(PKR 'Bn)

Profit after Tax

PKR. 'Bn

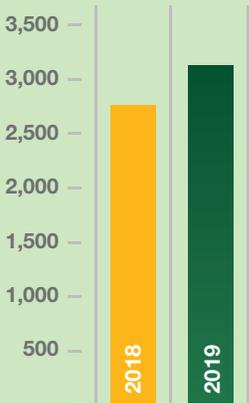


21.0% ▼

2019: 15.8 Bn
 2018: 20.0 Bn

Total Assets

PKR. 'Bn

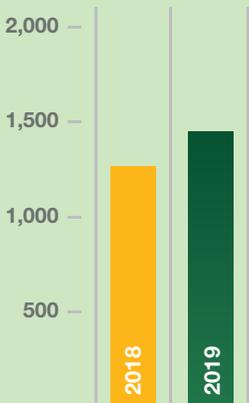


11.6% ▲

2019: 3,124.4 Bn
 2018: 2,798.6 Bn

Investment

PKR. 'Bn



12.1% ▲

2019: 1,439.2 Bn
 2018: 1,284.3 Bn

Profit after Tax

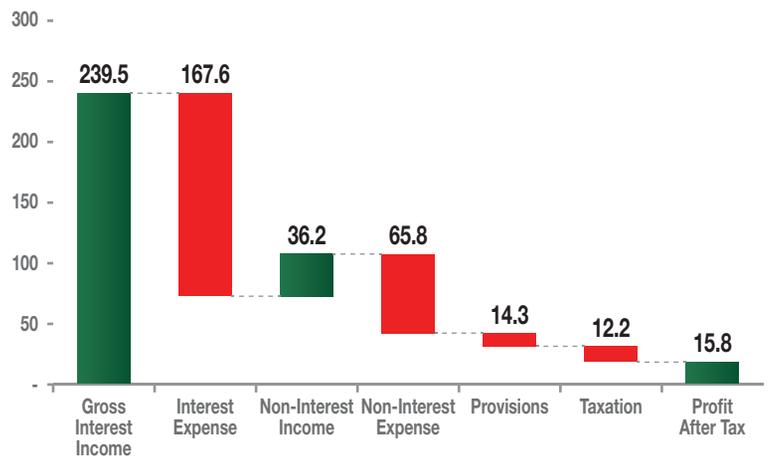
15.8

Total Assets

3,124.4

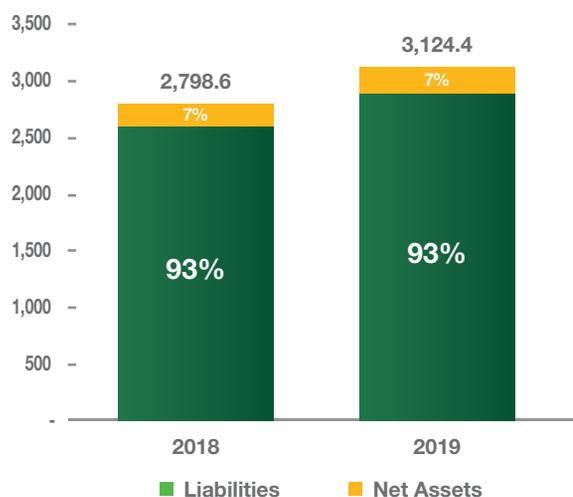
Profit & Loss Account

(PKR 'Bn)



Balance Sheet

(PKR 'Bn)

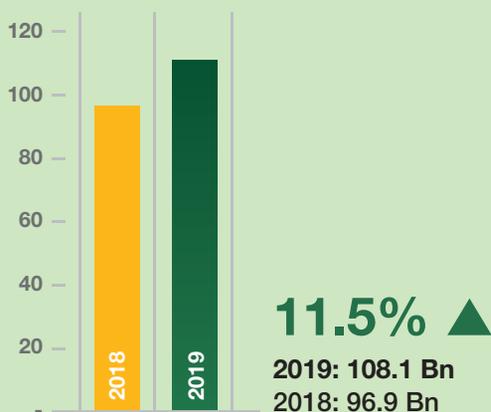


HIGHLIGHTS

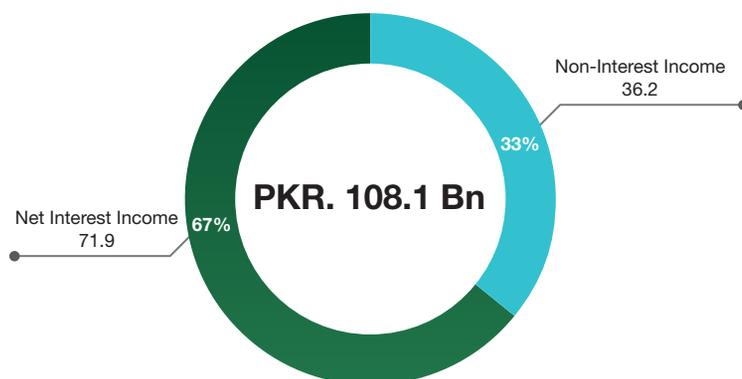
(PKR 'Bn)

Operating Income

PKR. 'Bn

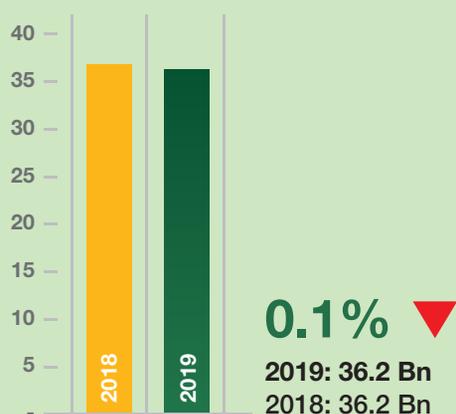


Operating Income

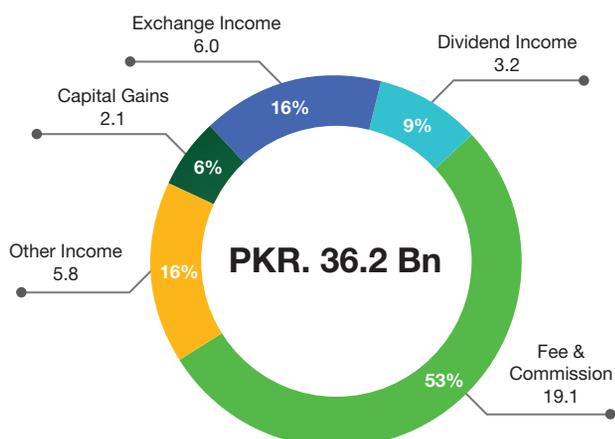


Non-Interest Income

PKR. 'Bn

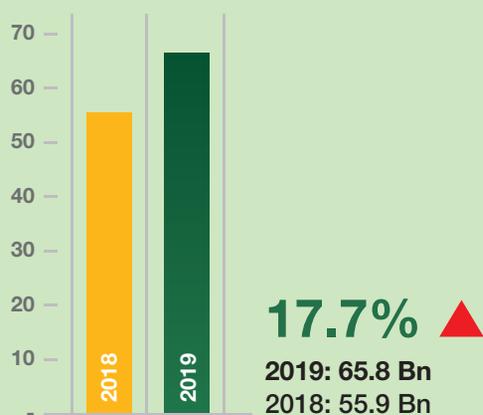


Non-Interest Income

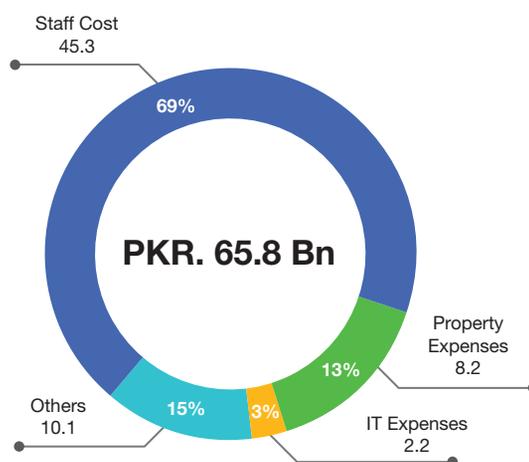


Non-Interest Expenses

PKR. 'Bn



Non-Interest Expenses

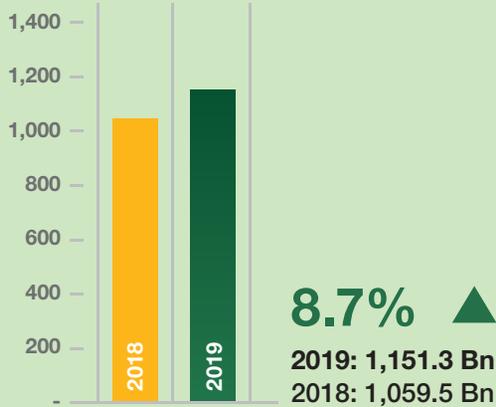


HIGHLIGHTS

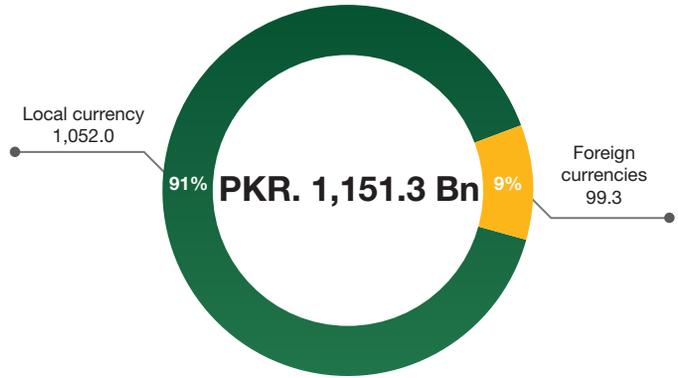
(PKR 'Bn)

Advances - Gross

PKR. 'Bn

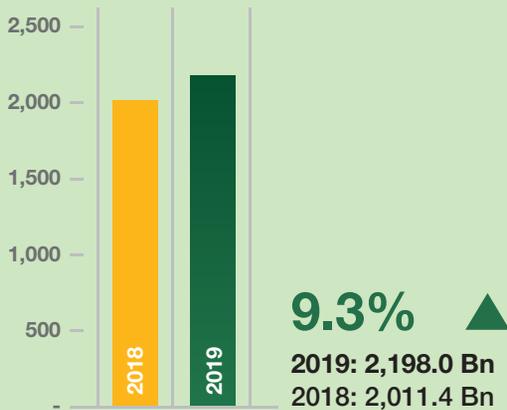


Advances - Gross

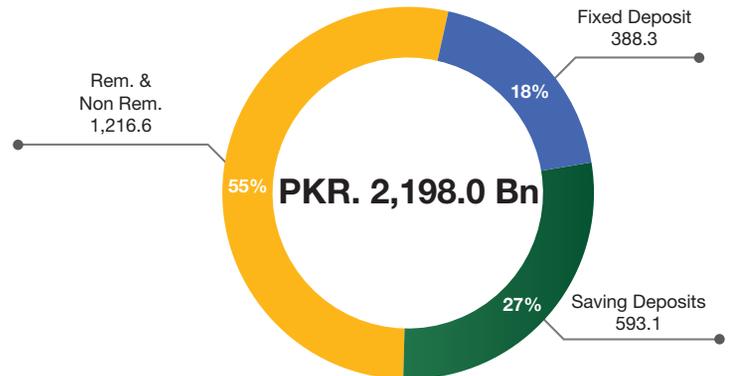


Deposits

PKR. 'Bn

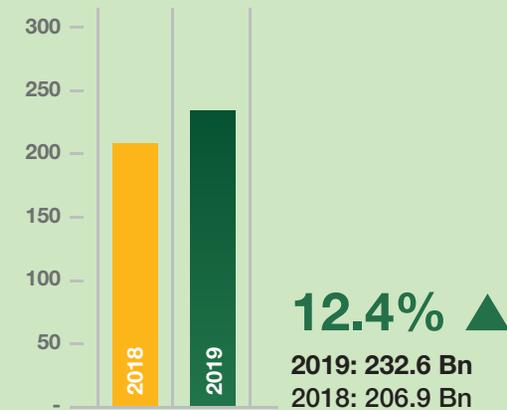


Deposits

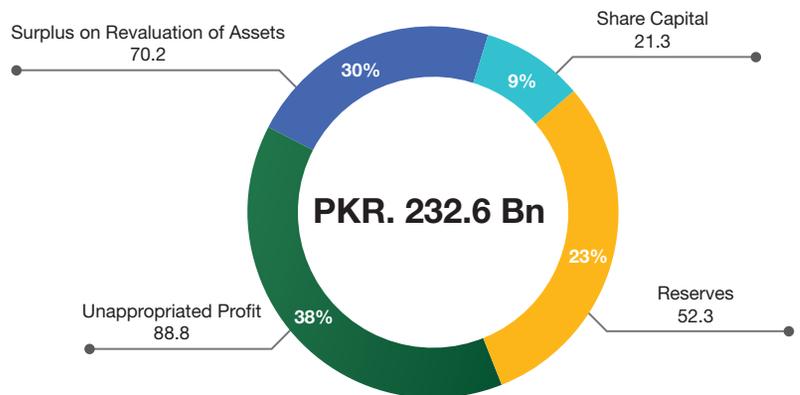


Net Assets

PKR. 'Bn



Net Assets



A GLIMPSE OF QUARTERLY FINANCIAL POSITION & PERFORMANCE

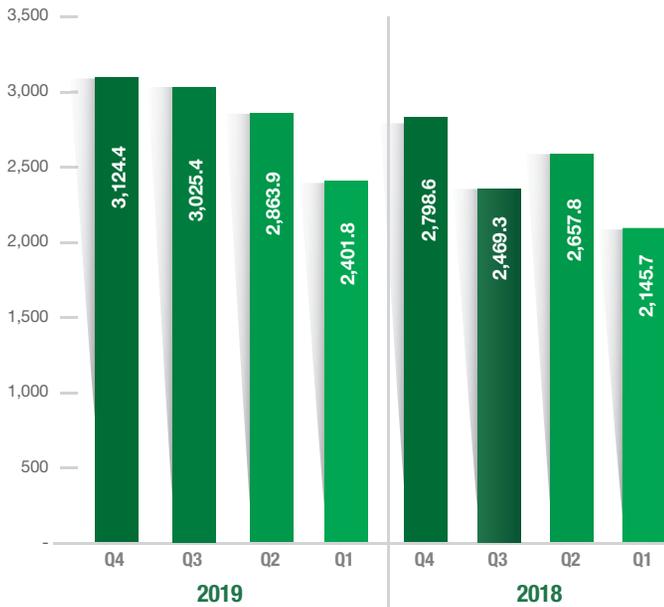
PKR 'Mn

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial Position								
ASSETS								
Cash and balances with treasury and other banks	292,513	215,143	351,877	173,482	247,518	214,278	297,148	134,201
Balances with other banks	13,221	21,091	21,267	15,851	12,202	15,836	25,177	20,341
Lending to financial institutions	144,140	58,280	35,306	120,926	106,392	13,408	31,057	48,650
Investments- net	1,439,160	1,560,406	1,192,871	919,241	1,284,319	1,247,078	1,361,751	1,066,800
Advances- net	1,008,139	951,576	952,156	912,297	926,007	828,460	790,410	750,819
Operating Fixed assets	54,679	53,915	54,098	54,104	54,106	32,541	32,690	33,105
Deferred tax assets- net	-	-	-	-	-	-	-	6,953
Right of use of Assets	7,221	6,603	6,905	3,135	-	-	-	-
Other assets	165,315	158,356	249,469	202,761	168,022	117,692	119,562	84,785
Total Assets	3,124,389	3,025,372	2,863,948	2,401,795	2,798,566	2,469,294	2,657,795	2,145,655
LIABILITIES								
Bills payable	19,867	16,289	16,211	26,797	9,944	12,401	17,318	14,478
Borrowings	471,757	680,683	276,648	174,209	392,739	360,894	427,936	187,504
Deposits and other accounts	2,198,049	1,938,036	2,093,396	1,778,666	2,011,385	1,799,787	1,910,673	1,668,545
Liabilities against assets subject to Finance Lease	-	-	-	-	-	-	9	12
Lease Liability against right-of-use assets	7,640	7,020	7,275	4,060	-	-	-	-
Deferred tax liabilities	10,916	5,219	6,529	7,096	6,985	8,844	10,688	-
Other liabilities	183,545	157,267	247,965	198,114	170,644	99,060	103,177	93,907
Total Liabilities	2,891,775	2,804,514	2,648,024	2,188,942	2,591,698	2,280,986	2,469,801	1,964,446
NET ASSETS	232,614	220,857	215,924	212,853	206,869	188,308	187,994	181,210
Net Assets (Represented by)								
Share capital	21,275	21,275	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	52,309	52,055	55,909	54,474	53,274	52,295	51,956	51,251
Surplus on revaluation of assets	70,244	56,512	56,468	62,109	59,986	45,419	48,800	50,560
Unappropriated Profit	88,786	91,015	82,272	74,995	72,333	69,318	65,963	58,124
	232,614	220,857	215,924	212,853	206,869	188,308	187,994	181,210
Financial Performance								
Mark-up / return / interest earned	72,090	69,698	51,897	45,793	44,752	38,809	35,017	31,390
Mark-up / return / interest expensed	54,046	51,398	31,902	30,225	27,636	25,402	18,998	17,266
Net mark-up / Interest income	18,044	18,300	19,995	15,568	17,115	13,407	16,019	14,124
Non interest income	10,626	7,370	9,937	8,267	13,757	7,238	9,359	5,895
Operating Expenses and Other Charges	24,491	13,470	15,040	12,852	17,988	12,526	12,964	12,453
Profit before provisions	4,179	12,199	14,893	10,982	12,884	8,120	12,414	7,566
Provisions and write offs- net	5,358	3,402	3,235	2,255	6,317	2,163	2,823	(3)
Pre-tax profit	(1,179)	8,797	11,658	8,728	6,567	5,956	9,591	7,569
Taxation	(658)	3,568	4,740	4,544	2,729	2,271	1,994	2,675
After-tax profit	(521)	5,230	6,918	4,183	3,838	3,686	7,598	4,894

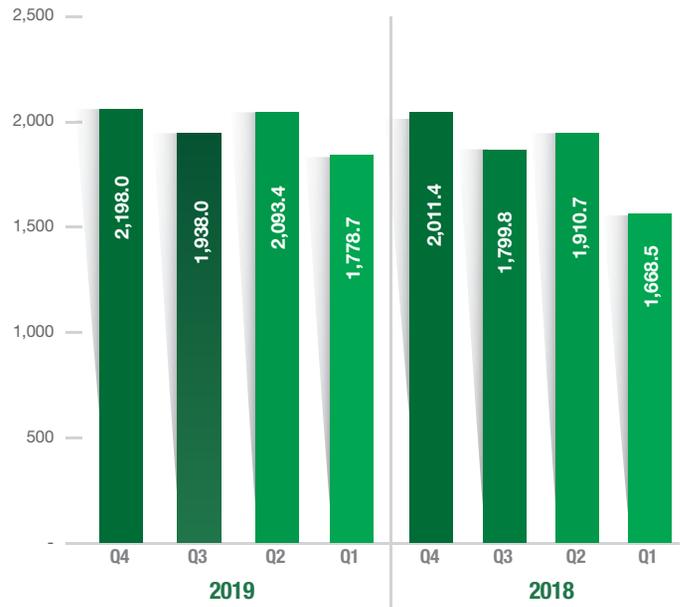
A GLIMPSE OF QUARTERLY FINANCIAL POSITION & PERFORMANCE

(PKR 'Bn)

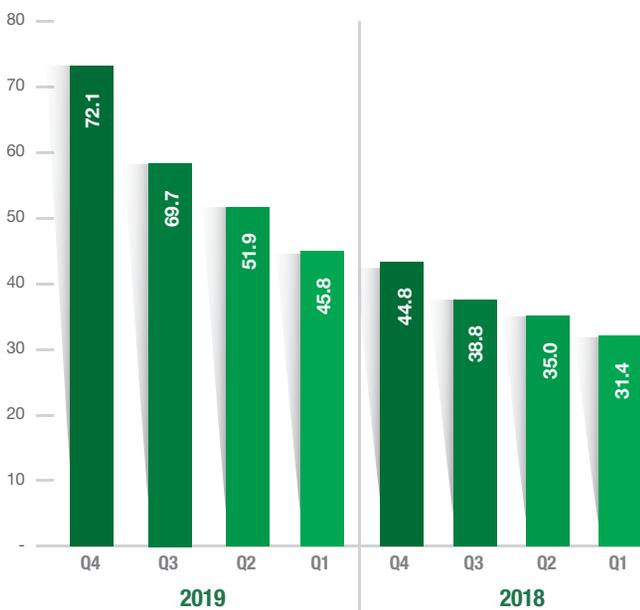
Total Assets



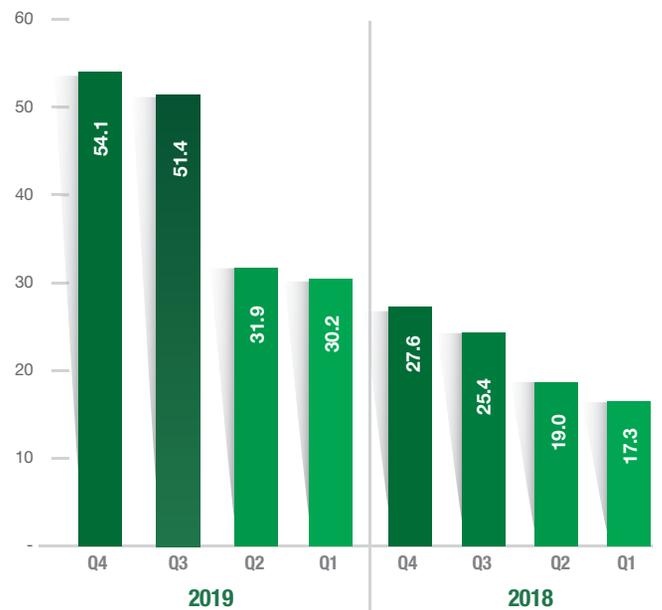
Deposits



Mark-up Income Earned



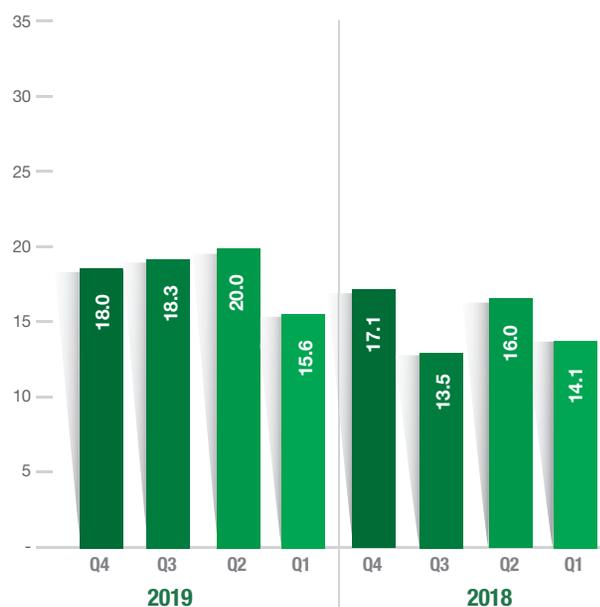
Mark-up Expense



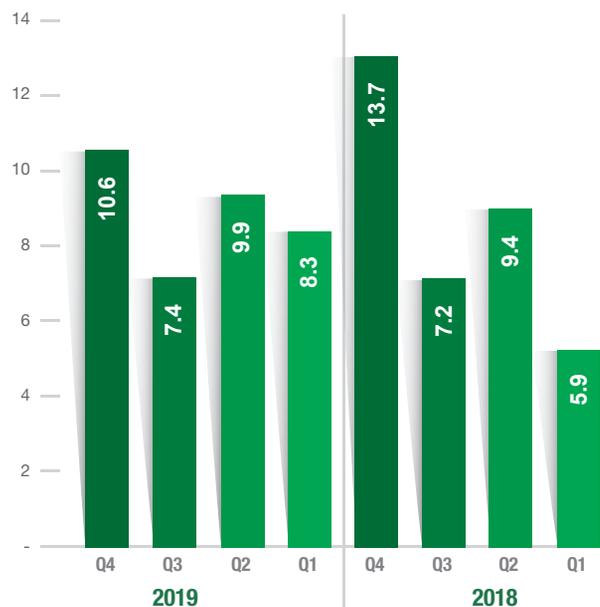
A GLIMPSE OF QUARTERLY FINANCIAL POSITION & PERFORMANCE

(PKR 'Bn)

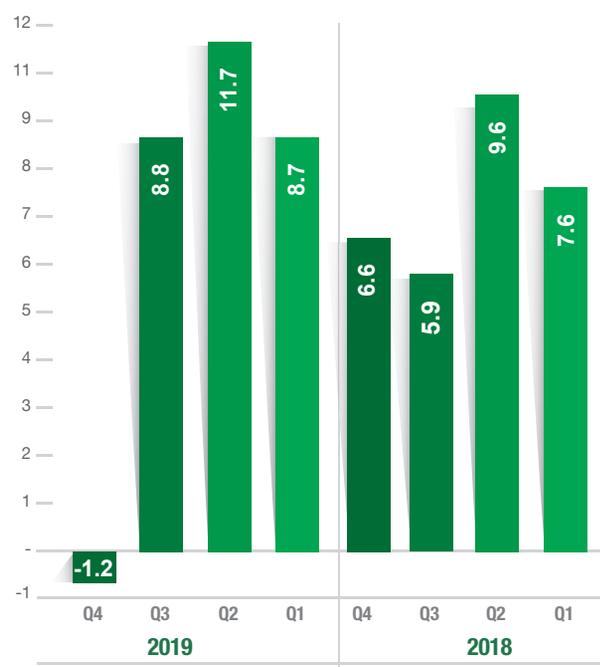
Net Interest Income



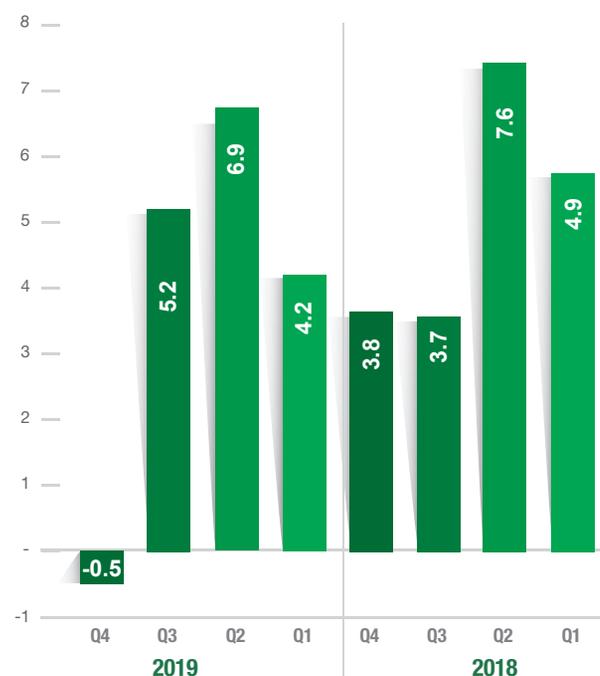
Non-Interest Income



Pre-tax Profit



After-tax Profit



KEY 6 YEARS' PERFORMANCE RATIOS

		2019	2018	2017	2016	2015	2014
A. SIZE FACTORS							
1. Total Assets	Rs. Mn	3,124,389	2,798,566	2,505,321	2,008,855	1,706,361	1,543,054
2. Capital & Reserves	"	232,614	206,869	175,382	176,733	168,351	178,329
3. Deposits	"	2,198,049	2,011,385	1,727,102	1,657,312	1,431,037	1,233,525
4. Profit after Tax	"	15,810	20,015	23,028	22,752	19,219	15,028
5. Profit before Tax	"	28,003	29,683	35,599	37,141	33,216	22,001
B. ASSET QUALITY							
6. Total Assets Growth Rate	%	11.64	11.70	24.71	17.73	10.58	13.05
7. NPLs To Total Assets	"	4.76	4.77	4.82	5.94	7.46	7.83
8. Gross Advances to Deposits Ratio	"	52.38	52.67	49.62	47.15	48.33	59.02
9. Net Advances to Deposits Ratio	"	45.87	46.04	42.83	40.27	40.40	50.81
10. Investment to Deposit Ratio	"	65.47	63.85	75.02	54.13	57.95	45.54
11. Assets to Equity (Excl. Surplus on Rev.)	Times	19.24	19.05	19.93	16.74	14.71	13.98
12. Infection Ratio- NPLs/ Gross Advances	%	12.92	12.59	14.10	15.28	18.40	16.60
13. NPL Coverage- Total provision/ NPLs	"	96.25	100.08	96.99	95.54	89.35	83.88
14. NPL Coverage- (specific provision / NPLs)	"	90.20	94.68	91.60	91.83	87.02	81.23
C. CAPITAL ADEQUACY							
15. Tier I Capital	Rs. Mn	142,716	124,818	101,303	95,540	91,751	91,758
16. Total Eligible Capital	"	182,532	168,658	138,885	133,167	129,216	135,740
17. Risk Weighted Assets-RWA	"	1,178,941	1,031,677	870,967	805,252	734,403	780,719
18. RWA to total assets	"	37.73	36.86	34.77	40.09	43.04	50.60
19. Tier I Ratio	%	12.11	12.10	11.63	11.86	12.49	11.75
20. Capital Adequacy Ratio	"	15.48	16.35	15.95	16.54	17.59	17.39
D. INVESTMENT / MARKET RATIOS							
21. Earnings per Share and Diluted EPS	Rs.	7.43	9.41	10.82	10.69	9.03	7.06
22. Price Earning Ratio	Times	5.83	4.47	4.49	7.01	5.98	9.84
23. Market Value per Share	Rs.	43.30	42.03	48.56	74.89	54.04	69.46
24. Dividend per Share	Rs.	-	-	-	7.5	7.5	5.5
E. LIQUIDITY							
25. Net Loans To Total Assets	%	32.27	33.09	29.53	33.22	33.88	40.61
26. Net Loans To Total Deposits	"	45.87	46.04	42.83	40.27	40.40	50.81
27. Net Loans To Total Deposits (Deposits & Borrowings)	"	37.76	38.52	35.44	39.21	39.79	49.31
28. Liquidity Coverage Ratio	"	147.57	169.44	169.69	-	-	-
29. Net Stable Funding Ratio	"	233.19	320.82	365.29	-	-	-
F. PROFITABILITY							
30. Return on Average Assets- Pre Tax	%	0.95	1.12	1.58	2.00	2.04	1.51
31. Return on Average Equity- Pre Tax (Excl. Surplus on Rev.)	"	18.11	21.78	28.98	31.47	29.35	20.83
32. Operating Profit To Average Assets	"	1.43	1.55	1.63	2.02	2.86	2.37
33. Total Income To Average Assets	"	3.65	3.65	3.78	4.56	5.46	5.24
34. Non-Interest Income To Total Income	"	33.48	37.40	36.41	35.34	39.44	39.87
35. Operating Expenses To Total Income	"	60.91	57.71	56.88	55.73	47.57	54.74
36. Operating Expenses To Average Assets	"	2.22	2.11	2.15	2.54	2.60	2.87
37. Loan Loss Provisioning Expense to Operating Profit	"	33.73	27.57	3.24	1.06	28.59	36.19
G. DuPont Ratios							
38. Net Operating Margin	%	14.62	20.65	26.99	26.83	21.67	19.73
39. Asset Utilization	"	3.65	3.65	3.78	4.56	5.46	5.24
40. Return on Assets- After Tax	"	0.53	0.75	1.02	1.22	1.18	1.03
41. Return on Equity - After Tax (Excl. Surplus on Rev.)	"	10.22	14.69	18.74	19.28	16.98	14.23
H. Per Branch							
42. Gross Advances	Rs. Mn	752	695	564	532	486	529
43. Deposits	"	1,437	1,319	1,137	1,128	1,005	896
44. Profit before Tax (PBT)	"	18.30	19.46	23.44	25.28	23.33	15.98
45. Profit after Tax (PAT)	"	10.33	13.12	15.16	15.49	13.50	10.91
RATES							
Exchange Rate	US \$	154.8476	138.8619	110.4172	104.5985	104.8715	100.4831

6 YEARS' FINANCIAL HIGHLIGHTS

(PKR 'Mn)

	2019	2018	2017	2016	2015	2014
Total Assets	3,124,389	2,798,566	2,505,321	2,008,855	1,706,361	1,543,054
Deposits	2,198,049	2,011,385	1,727,102	1,657,312	1,431,037	1,233,525
Advances - net	1,008,139	926,007	739,772	667,389	578,122	626,704
Investment - net	1,439,160	1,284,319	1,295,720	897,131	829,246	561,764
Capital & Reserves	232,614	206,869	175,382	176,733	168,351	178,329
Capital Adequacy Ratios	15.48%	16.35%	15.95%	16.54%	17.59%	17.39%
Pre-Tax Profit	28,003	29,683	35,599	37,141	33,216	22,001
After-tax Profit	15,810	20,015	23,028	22,752	19,219	15,028
Earnings Per Share (Rs.)	7.43	9.41	10.82	10.69	9.03	7.06
Book Value per Share (Rs.)	109	97	82	83	79	84
Number of Branches (No.)	1,530	1,525	1,519	1,469	1,424	1,377
Number of Employees (No.)	15,188	15,738	15,616	15,793	15,548	16,190

Profit & Loss

(PKR 'Bn)

Mark-up Earned	239.5
Mark-up Expensed	167.6
Net Interest Income	71.9
Non-Interest Income	36.2
Non-Mark-up Expense	65.8
Profit before Provisions	42.3
Provisions	14.3
Pre-tax Profit	28.0
Taxation	12.2
After-tax Profit	15.8

Key Balance Sheet Items

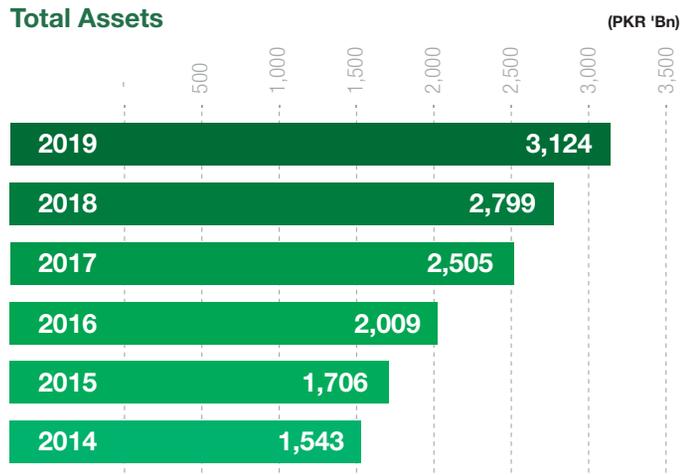
(PKR 'Bn)

Investment (net)	1,439.2	+ 12%	1,284.3
Advances (net)	1,008.1	+ 9%	926.0
Deposits	2,198.0	+ 9%	2,011.4

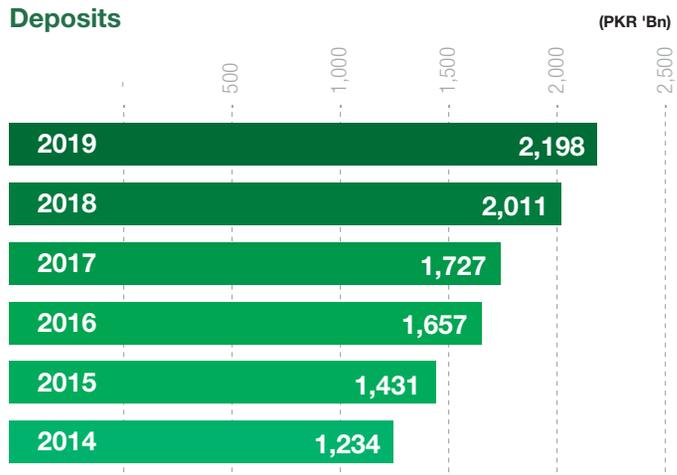
■ 2019
■ 2018

6 YEARS' FINANCIAL HIGHLIGHTS

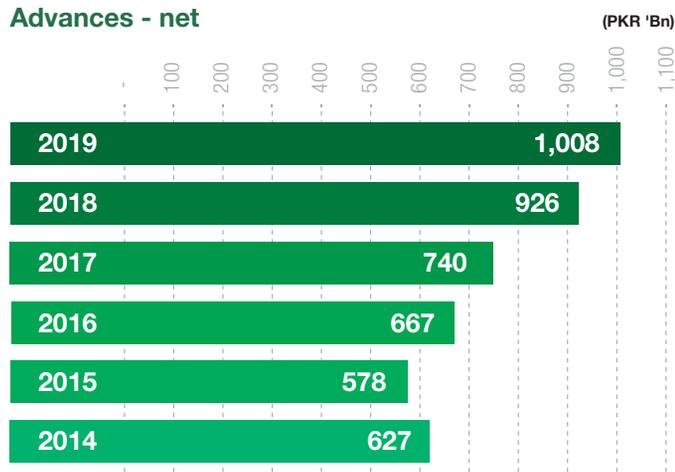
Total Assets



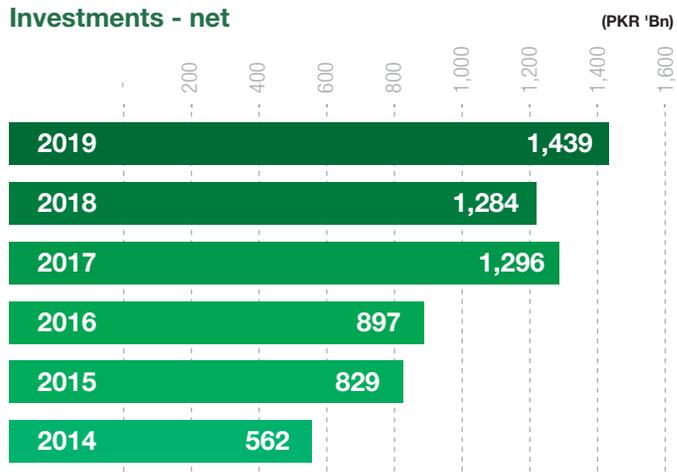
Deposits



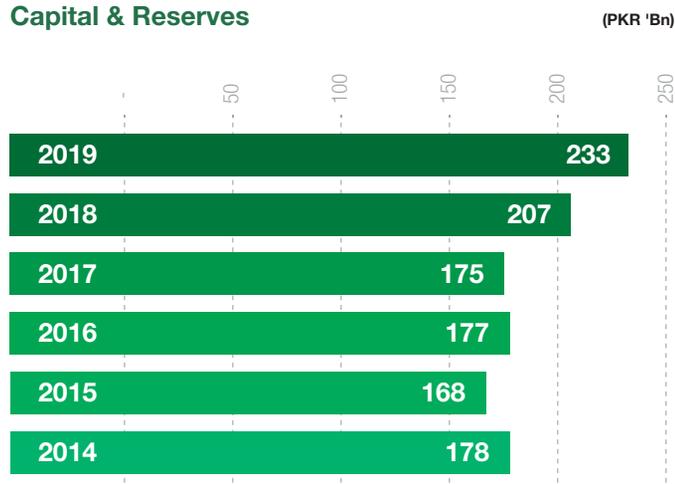
Advances - net



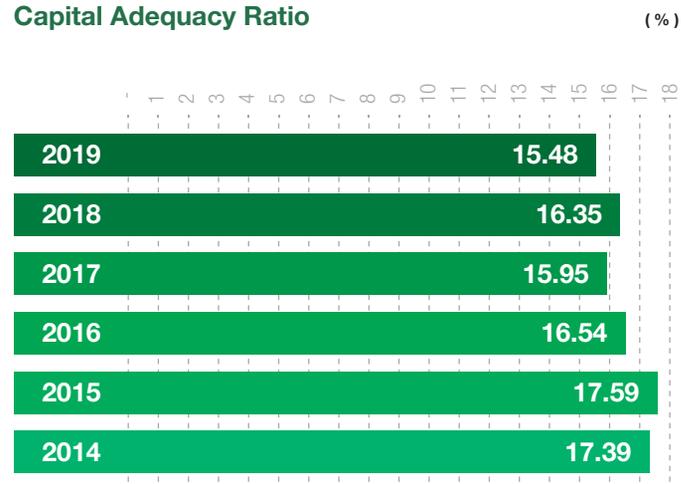
Investments - net



Capital & Reserves



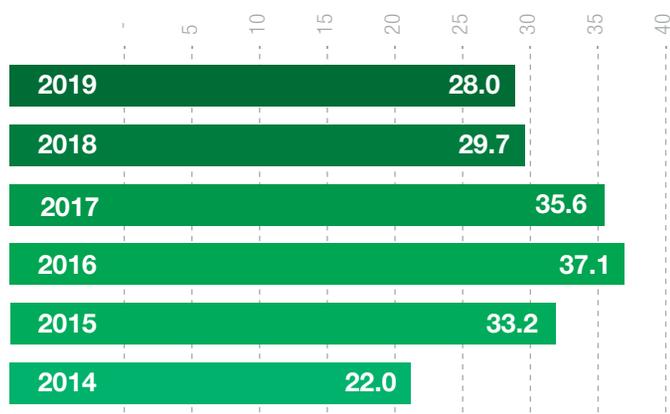
Capital Adequacy Ratio



6 YEARS' FINANCIAL HIGHLIGHTS

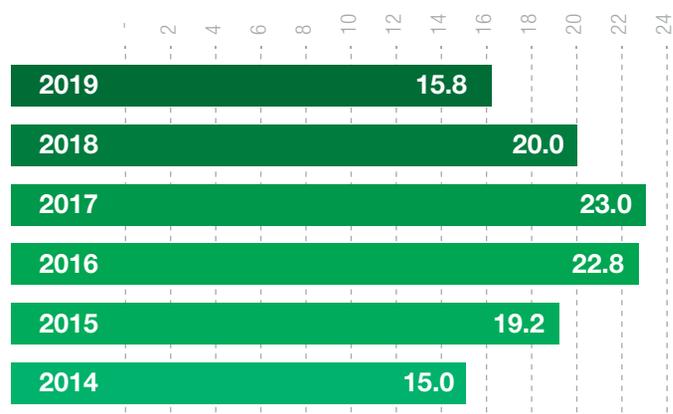
Pre-Tax Profit

(PKR 'Bn)



After-Tax Profit

(PKR 'Bn)



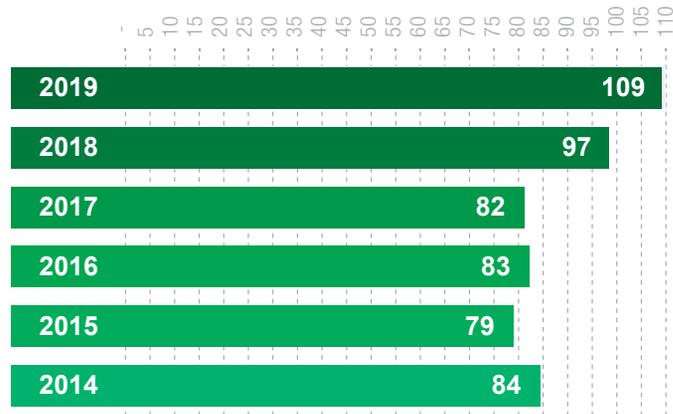
Earnings per Share

(PKR)



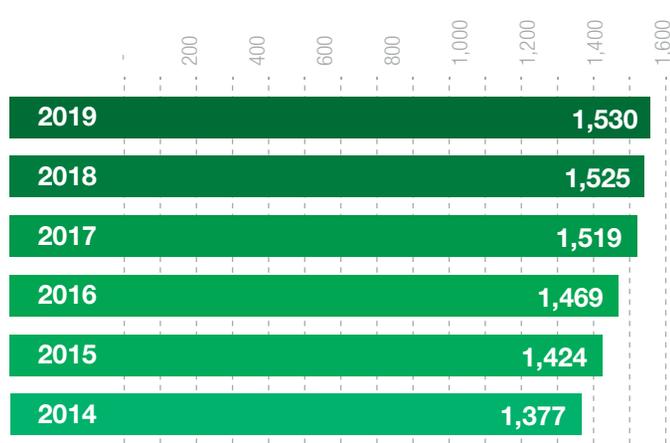
Book value per Share

(PKR)



Number of Branches*

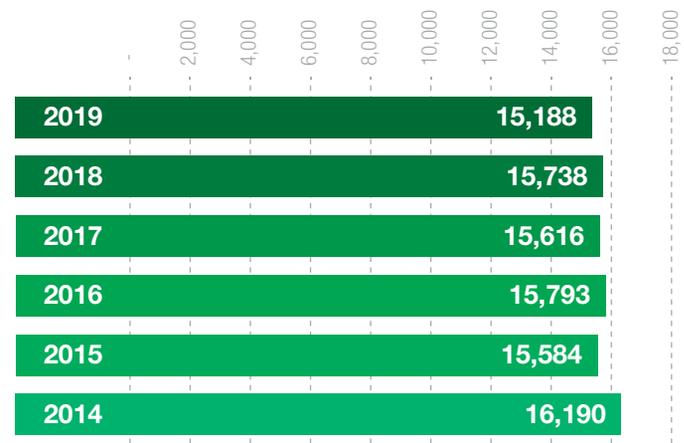
(No.)



*Including International Branches

Number of Employees

(No.)



6 YEARS' SUMMARY OF FINANCIAL POSITION AND PERFORMANCE

PKR 'Mn

	2019	2018	2017	2016	2015	2014
Financial Position						
ASSETS						
Cash and balances with treasury banks	292,513	247,518	160,090	160,173	150,900	97,972
Balances with other banks	13,221	12,202	26,404	13,828	20,128	12,108
Lending to financial institutions	144,140	106,392	26,916	121,709	7,695	111,789
Investments- net	1,439,160	1,284,319	1,295,720	897,131	829,246	561,764
Advances- net	1,008,139	926,007	739,772	667,389	578,122	626,704
Operating Fixed assets	54,679	54,106	32,752	32,901	31,706	31,796
Deferred tax assets- net	-	-	7,317	5,136	9,669	9,878
Right of use assets	7,221	-	-	-	-	-
Other assets	165,315	168,022	216,351	110,588	78,895	91,045
Total Assets	3,124,389	2,798,566	2,505,321	2,008,855	1,706,361	1,543,054
LIABILITIES						
Bills payable	19,867	9,944	13,195	10,187	9,172	11,012
Borrowings	471,757	392,739	360,106	44,864	21,911	37,541
Deposits and other accounts	2,198,049	2,011,385	1,727,102	1,657,312	1,431,037	1,233,525
Liabilities against assets subject to Finance Lease	-	-	15	26	36	13
Lease liability against right of use assets	7,640	-	-	-	-	-
Deferred tax liabilities	10,916	6,985	-	-	-	-
Other liabilities	183,545	170,644	229,522	119,733	75,855	82,634
Total Liabilities	2,891,775	2,591,698	2,329,939	1,832,122	1,538,010	1,364,725
NET ASSETS	232,614	206,869	175,382	176,733	168,351	178,329
Net Assets (Represented by)						
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	52,309	53,274	50,357	46,800	45,581	32,074
Surplus on revaluation of assets	70,244	59,986	49,689	56,718	52,340	67,973
Unappropriated Profit	88,786	72,333	54,061	51,939	49,156	57,007
	232,614	206,869	175,382	176,733	168,351	178,329
Financial Performance						
Mark-up / return / interest earned	239,477	149,969	123,073	114,403	113,662	114,174
Mark-up / return / interest expensed	167,570	89,302	68,820	59,578	59,941	68,370
Non Mark-up / Interest Income	71,907	60,666	54,253	54,824	53,721	45,804
Fee & commission income and Exchange Income	25,170	27,017	19,026	17,013	17,043	15,687
Capital gain and Dividend income	5,262	6,545	10,301	11,405	15,860	11,103
Other income	5,768	2,687	1,740	1,549	2,081	3,587
Total non-mark-up / interest income	36,199	36,249	31,066	29,967	34,983	30,377
Total income	108,107	96,915	85,319	84,791	88,704	76,181
Operating expenses and other charges	65,853	55,931	48,528	47,253	42,193	41,703
Profit before provisions	42,254	40,984	36,791	37,539	46,511	34,478
Provisions and write offs-net	14,250	11,300	1,192	397	13,296	12,478
Profit before taxation	28,003	29,683	35,599	37,141	33,216	22,001
Taxation	12,194	9,668	12,571	14,389	13,997	6,973
Profit after taxation	15,810	20,015	23,028	22,752	19,219	15,028

6 YEARS' SUMMARY OF FINANCIAL POSITION AND PERFORMANCE (CONSOLIDATED)

PKR 'Mn

	2019	2018	2017	2016	2015	2014
Financial Position						
ASSETS						
Cash and balances with treasury banks	293,198	247,917	160,405	160,422	151,191	98,247
Balances with other banks	13,598	13,050	26,992	14,396	20,639	12,544
Lending to financial institutions	144,140	106,392	26,916	121,709	7,695	111,794
Investments- net	1,442,404	1,284,975	1,296,537	896,281	829,191	561,768
Advances- net	1,008,399	926,340	740,345	668,884	580,324	630,230
Operating Fixed assets	55,990	55,196	33,822	34,058	33,071	33,354
Deferred tax assets- net	-	-	7,342	5,172	9,672	9,884
Right of use assets	7,447	-	-	-	-	-
Other assets	167,183	170,018	219,092	113,643	80,092	91,839
Total Assets	3,132,360	2,803,886	2,511,452	2,014,566	1,711,874	1,549,660
LIABILITIES						
Bills payable	19,867	9,944	13,195	10,187	9,172	11,012
Borrowings	471,757	392,739	360,106	44,864	22,385	38,208
Deposits and other accounts	2,197,985	2,011,313	1,727,059	1,657,132	1,431,535	1,234,405
Liabilities against assets subject to Finance Lease	194	121	57	83	91	2
Lease liability against right of use assets	7,831	-	-	-	-	-
Deferred tax liabilities	10,869	6,946	-	-	-	-
Other liabilities	184,633	171,762	231,359	122,160	77,036	83,439
Total Liabilities	2,893,138	2,592,825	2,331,776	1,834,427	1,540,219	1,367,066
NET ASSETS	239,223	211,061	179,676	180,139	171,655	182,593
Net Assets (Represented by)						
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	53,261	53,443	49,887	46,031	45,202	32,996
Surplus on revaluation of assets	70,359	59,262	49,632	56,299	51,731	67,853
Unappropriated Profit	93,466	76,240	58,069	55,795	52,725	59,752
	238,360	210,220	178,864	179,401	170,933	181,876
Non-controlling interest	863	842	811	738	722	717
	239,223	211,061	179,676	180,139	171,655	182,593
Financial Performance						
Mark-up / return / interest earned	239,710	150,178	123,415	115,029	114,386	115,252
Mark-up / return / interest expensed	167,556	89,287	68,811	59,594	59,999	68,462
Net mark-up / Interest income	72,154	60,891	54,604	55,434	54,387	46,790
Fee & commission income and Exchange income	26,737	28,924	20,820	18,224	18,254	16,572
Capital gain and Dividend income	5,265	6,445	10,049	11,256	14,996	10,882
Share of profit from joint venture- net of tax	(96)	(334)	2	319	560	302
Share of loss from associates- net of tax	37	(35)	(512)	(333)	(923)	(1,060)
Other income	5,817	2,675	1,757	1,567	2,111	3,609
Total non-markup / interest income	37,760	37,674	32,115	31,032	34,999	30,306
Total income	109,914	98,566	86,720	86,467	89,386	77,095
Operating expenses and other charges	67,379	57,480	50,041	48,742	43,794	43,255
Profit before provisions	42,535	41,085	36,678	37,725	45,592	33,840
Provisions and write offs-net	13,557	11,205	535	130	11,419	10,703
Pre-tax profit	28,978	29,880	36,144	37,595	34,172	23,137
Taxation	12,331	9,844	12,798	14,507	14,096	7,065
After-tax profit	16,647	20,035	23,346	23,087	20,076	16,072

6 YEARS' VERTICAL ANALYSIS

	2019		2018		2017		2016		2015		2014	
	PKR 'Mn	%										
Financial Position												
ASSETS												
Cash and balances with treasury banks	292,513	9%	247,518	9%	160,090	6%	160,173	8%	150,900	9%	97,972	6%
Balances with other banks	13,221	0%	12,202	0%	26,404	1%	13,828	1%	20,128	1%	12,108	1%
Lending to financial institutions	144,140	5%	106,392	4%	26,916	1%	121,709	6%	7,695	0%	111,789	7%
Investments - net	1,439,160	46%	1,284,319	46%	1,295,720	52%	897,131	45%	829,246	49%	561,764	36%
Advances - net	1,008,139	32%	926,007	33%	739,772	30%	667,389	34%	578,122	34%	626,704	41%
Operating Fixed assets	54,679	2%	54,106	2%	32,752	1%	32,901	2%	31,706	2%	31,796	2%
Deferred tax assets - net	-	0%	-	0%	7,317	0%	5,136	0%	9,669	1%	9,878	1%
Right of use assets	7,221	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other assets	165,315	5%	168,022	6%	216,351	9%	110,588	4%	78,895	5%	91,045	6%
Total assets	3,124,389	100%	2,798,566	100%	2,505,321	100%	2,008,855	100%	1,706,361	100%	1,543,054	100%
LIABILITIES												
Bills payable	19,867	1%	9,944	0%	13,195	1%	10,187	1%	9,172	1%	11,012	1%
Borrowings	471,757	15%	392,739	14%	360,106	14%	44,864	2%	21,911	1%	37,541	2%
Deposits and other accounts	2,198,049	70%	2,011,385	72%	1,727,102	69%	1,657,312	84%	1,431,037	84%	1,233,525	80%
Liabilities against assets subject to Finance Lease	-	0%	-	0%	15	0%	26	0%	36	0%	13	0%
Lease liability against right of use assets	7,640	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	10,916	0%	6,985	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	183,545	6%	170,644	6%	229,522	9%	119,733	4%	75,855	4%	82,634	5%
Total Liabilities	2,891,775	93%	2,591,698	93%	2,329,939	93%	1,832,122	91%	1,538,010	90%	1,364,725	88%
NET ASSETS	232,614	7%	206,869	7%	175,382	7%	176,733	9%	168,351	10%	178,329	12%
Net Assets (Represented by)												
Share capital	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%
Reserves	52,309	2%	53,274	2%	50,357	2%	46,800	2%	45,581	3%	32,074	2%
Surplus on revaluation of assets	70,244	2%	59,986	2%	49,689	2%	56,718	3%	52,340	3%	67,973	3%
Unappropriated profit	88,786	3%	72,333	3%	54,061	2%	51,939	3%	49,156	3%	57,007	4%
	232,614	7%	206,869	7%	175,382	7%	176,733	9%	168,351	10%	178,329	12%
Financial Performance												
Mark-up / return / Non Interest Income Earned												
Mark-up / return / interest earned	239,477	87%	149,969	81%	123,072	80%	114,403	79%	113,662	76%	114,174	79%
Fee & commission income and Exchange Income	25,170	9%	27,017	15%	19,025	12%	17,012	12%	17,043	12%	15,687	11%
Capital gains and dividend income	5,262	2%	6,545	3%	10,300	7%	11,405	8%	15,860	11%	11,103	8%
Other income	5,768	2%	2,687	1%	1,740	1%	1,549	1%	2,081	1%	3,587	2%
Total Income	275,677	100%	186,218	100%	154,137	100%	144,369	100%	148,646	100%	144,551	100%
Mark-up / return / Non Interest Expense												
Mark-up / return / interest expensed	167,570	61%	89,302	48%	68,820	45%	59,578	41%	59,941	40%	68,369	47%
Operating expenses and other charges	65,853	24%	55,932	30%	48,527	31%	47,253	33%	42,193	29%	41,703	29%
Provisions and write offs-net	14,250	5%	11,300	6%	1,192	1%	397	0.3%	13,296	9%	12,478	9%
Taxation	12,194	4%	9,668	5%	12,571	8%	14,389	10%	13,997	9%	6,973	5%
Total Expense - as % of Total Income	259,867	94%	166,203	89%	131,110	85%	121,617	84%	129,427	87%	129,523	90%
After-tax profit	15,810	6%	20,015	11%	23,028	15%	22,752	15.7%	19,219	13%	15,028	10%
Total	275,677	100%	186,218	100%	154,137	100%	144,369	100%	148,646	100%	144,551	100%

6 YEARS' HORIZONTAL ANALYSIS

	2019	YoY	2018	YoY	2017	YoY	2016	YoY	2015	YoY	2014	YoY
	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
Financial Position												
ASSETS												
Cash and balances with treasury banks	292,513	18%	247,518	55%	160,090	0%	160,173	6%	150,900	54%	97,972	-38%
Balances with other banks	13,221	8%	12,202	-54%	26,404	91%	13,828	-31%	20,128	66%	12,108	-31%
Lending to financial institutions	144,140	35%	106,392	295%	26,916	-78%	121,709	1482%	7,695	-93%	111,789	115%
Investments- net	1,439,160	12%	1,284,319	-1%	1,295,720	44%	897,131	8%	829,246	48%	561,764	41%
Advances- net	1,008,139	9%	926,007	25%	739,772	11%	667,389	15%	578,122	-8%	626,704	2%
Operating Fixed assets	54,679	1%	54,106	65%	32,752	0%	32,901	4%	31,706	0%	31,796	-3%
Deferred tax assets- net	-	0%	-	-100%	7,317	42%	5,136	-47%	9,669	-2%	9,878	-10%
Right of use assets	7,221	100%	-	0%	-	0%	-	0%	-	0%	-	0%
Other assets	165,314	-2%	168,022	-22%	216,351	96%	110,588	40%	78,895	-13%	91,045	13%
Total assets	3,124,389	12%	2,798,566	12%	2,505,321	25%	2,008,855	18%	1,706,361	11%	1,543,054	13%
LIABILITIES												
Bills payable	19,867	100%	9,944	-25%	13,195	30%	10,187	11%	9,172	-17%	11,012	-21%
Borrowings	471,757	20%	392,739	9%	360,106	703%	44,864	105%	21,911	-42%	37,541	69%
Deposits and other accounts	2,198,049	9%	2,011,385	16%	1,727,102	4%	1,657,312	16%	1,431,037	16%	1,233,525	12%
Liabilities against assets subject to Finance Lease	-	0%	-	-100%	15	-43%	26	-28%	36	181%	13	-47%
Lease liability against right of use assets	7,640	100%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	10,916	56%	6,985	100%	-	0%	-	0%	-	0%	-	0%
Other liabilities	183,545	8%	170,644	-26%	229,522	92%	119,733	58%	75,855	-8%	82,634	16%
Total Liabilities	2,891,775	12%	2,591,698	11%	2,329,939	27%	1,832,122	19%	1,538,010	13%	1,364,725	13%
NET ASSETS												
Net Assets (Represented by)												
Share capital	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%
Reserves	52,309	-2%	53,274	6%	50,357	8%	46,800	3%	45,581	42%	32,074	2%
Surplus on revaluation of assets	70,244	17%	59,986	21%	49,689	-12%	56,718	8%	52,340	-23%	67,973	23%
Unappropriated profit	88,786	23%	72,333	34%	54,061	4%	51,939	6%	49,156	-14%	57,007	19%
	232,614	12%	206,869	18%	175,382	-1%	176,733	5%	168,351	-6%	178,329	14%
Financial Performance												
Mark-up / return / interest earned	239,477	60%	149,969	22%	123,073	8%	114,403	1%	113,662	0%	114,174	15%
Mark-up / return / interest expensed	167,570	88%	89,302	30%	68,820	16%	59,578	-1%	59,941	-12%	68,370	12%
Net Mark-up / Interest income	71,907	19%	60,666	12%	54,253	-1%	54,824	2%	53,721	17%	45,804	20%
Fee, commission and exchange income	25,170	-7%	27,017	42%	19,026	12%	17,013	0%	17,043	9%	15,687	2%
Capital gains and dividend income	5,262	-20%	6,545	-36%	10,301	-10%	11,405	-28%	15,860	43%	11,103	61%
Other income	5,768	115%	2,687	54%	1,740	12%	1,549	-26%	2,081	-42%	3,587	10%
Non-Interest Income	36,199	-0.1%	36,249	17%	31,066	4%	29,967	-14%	34,983	15%	30,377	19%
Total Income	108,107	12%	96,915	14%	85,319	1%	84,791	-4%	88,704	16%	76,181	19%
Operating expenses and other charges	65,853	18%	55,931	15%	48,528	3%	47,253	12%	42,193	1%	41,703	15%
Profit before provisions	42,254	3%	40,984	11%	36,791	-2%	37,539	-19%	46,511	35%	34,478	25%
Provisions and write offs-net	14,250	26%	11,300	848%	1,192	200%	397	-97%	13,296	7%	12,478	-39%
Pre-tax profit	28,003	-6%	29,683	-17%	35,599	-4%	37,141	12%	33,216	51%	22,001	211%
Taxation	12,194	26%	9,668	-23%	12,571	-13%	14,389	3%	13,997	101%	6,973	342%
After-tax profit	15,810	-21%	20,015	-13%	23,028	1%	22,752	18%	19,219	28%	15,028	173%

COMMENTARY ON 6 YEARS' HORIZONTAL AND VERTICAL ANALYSIS

HORIZONTAL ANALYSIS

This year the bank achieved yet another milestone of PKR 3 Trillion figure in terms of balance sheet size. Over the past 6 years' period, the bank's asset base has increased manifold depicting 15.15% CAGR. The PKR 3.1 Trillion of total assets, represent approximately 14% of the total industry and NBP the largest bank in the Country. In recent years the bank has achieved a coherent growth in assets-mix efficiently managing its assets-liability maturity profile. Highest YoY increase in the asset base was observed in 2017 when total assets of the bank increased by 25%. That year investment and advances increased by 44% YoY, and 11% YoY, respectively. Another high growth area was lending to FIs that increased by 29% over the past 6 years.

Deposits remain the primary source of funding for the bank. In line with the total asset base, deposits of the Bank have also increased significantly over the last six years growing from PKR 1,233.5 billion in 2014 to PKR 2,198.05 billion in 2019. This translates into a massive 78% growth with a CAGR of 12.26%. Smooth growth was observed throughout these years, with highest YoY increase of 16% being reported in 2018. Deposits accounted for 70.4% of our total assets as of the end of December 2019. Despite the short-term maturity profile of its deposit base, it has historically proved to be sticky and a stable funding source.

Reflecting our prudent & conservative capital management strategy, net assets of the bank have also posted healthy increase on the back of higher profitability and profit retention. Net assets, that amounted to PKR 178.33 billion in 2014, stand increased to PKR 232.61 billion at the end of 2019. This translates into a 5.50% CAGR over the past six years. During this period no further share capital was raised through new / right issues.

On to Profit & Loss Account, gross markup / interest earned has posted an compounded average increase of 15.97% over the span of last six years. While growth was low during the initial three years, a sharp increase was achieved during 2017-19 on the back of higher discount rate and volumetric growth in earning assets, particularly the advances and investment. Corresponding to the shift in asset mix, contribution from income on investments has increased constantly over the years.

Given the growth in deposits base and a hike in policy rate in recent years, total markup expense has increased by 5% over the six years period under coverage. The increase in markup expense on deposits reflect both the impact of volumetric growth in deposits and borrowings coupled with the impact of revision in profit rates in line with the policy rate increase from time to time. Responding to the increasing discount rate, the bank has been particularly active in mobilising low cost CASA deposits. Satisfactory results have delivered in this regard by both conventional as well as Islamic banking operations.

With a 3.57% growth over past six years, the bank's Non-Markup / interest income "NFI" has also shown a satisfactory performance over most of the years. During these years, NFI has maintained a trend of contributing approximately one-third of the total income. However, due to a lackluster performance of the stock market, lower dividend payout and depressed trade business, NFI for 2019 remained almost similar to that of 2018.

Total operating expenses in 2019 amounted to PKR 65.70 billion against PKR 55.69 billion for the year 2018. This amount includes a total of PKR 7.3 billion related to extraordinary items. Thus, the growth in operating expenses was only 5.0% and YoY growth in profit (PBT) excluding extraordinary items and before provisions improved to 21%.

NBP has historically exhibited the highest NPLs (14% of gross loans), partly due to its role in developmental mandate. Reflecting the trend of asset quality deterioration observed across the industry, in 2019 the Bank experienced a 11.5% increase in the non-performing loans (NPLs) which stood at PKR 148.8 billion from PKR 133.4 billion as of December 31, 2018. With the increase in NPLs, Net specific and general provision charge for the year 2019 amounted to PKR 6.65 billion and PKR 1.77 billion, respectively. As of December 31, 2019, Specific provision stood at PKR 134.17 billion (2018: PKR 126.27 billion) which shows provisioning to NPL coverage at 90.2% as of December 31, 2019.

VERTICAL ANALYSIS

Vertical analysis of the bank's Financial Position depicts a higher concentration levels of investments and advances in the asset base of the Bank. Historically, the advances of the Bank have posted modest growth during 2013- 2016 and have sharply increased over the last two years. The concentration level of advances in the total assets stands improved from 41% in 2014 to 32% in 2019. The IDRs of the banking industry registered a huge spike in the year 2013-2015 on account of higher yielding longer term bonds being offered. However, based on the call that interest rate cycle has bottomed out, a gradual shift to shorter term securities with increased focus on credit was observed.

Vertically, income-mix of the Bank has maintained its pattern throughout the period with NII and NFI contributing approximately two-third and one-third of the total income, respectively. Markup expense has increased over the last 6 years, based on regulatory revisions enacted over the period and growth registered in the deposit base. Concentration of Non markup income in total income has increased significantly over the years due to innovative solutions offered to our customers, new products launched, and gain on sale of securities.

STATEMENT OF VALUE ADDED

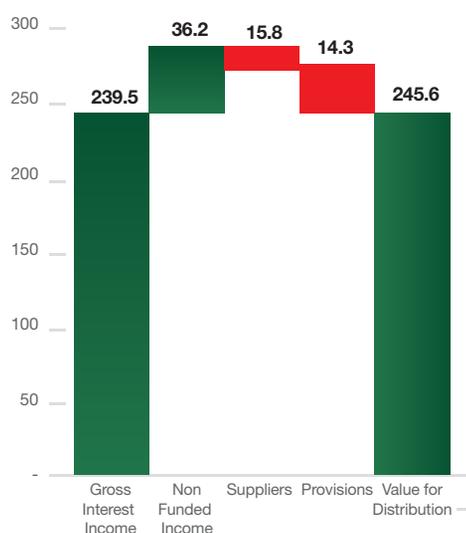
PKR 'Mn

Value Generated	2019	2018
Gross Mark-up / Interest Income	239,477	149,969
Non Mark-up / Interest Income	36,199	36,249
Operating Expenses (Exc. Staff cost, Depreciation, Amortisation)	(15,852)	(15,916)
Provision against non-performing assets	(14,250)	(11,300)
Total Value Generated	245,574	159,001

Value Distribution	2019	%	2018	%
To Depositors / Debtors as profit	167,570	68.2%	89,302	56.2%
To Employees				
Remuneration	37,789	15.4%	31,244	19.7%
Defined Benefit plans	7,496	3.0%	6,026	3.8%
	45,285	18.4%	37,270	23.4%
To Society				
Donations & CSR	27	0.0%	78	0.0%
To Government				
Taxation	12,194	5.0%	9,668	6.1%
To Organisational Expansion & Sustainability				
Depreciation	4,372	1.8%	2,344	1.5%
Amortisation	318	0.1%	323	0.2%
Value Retained	15,810	6.4%	20,015	12.6%
	20,499	8.3%	22,682	14.3%
	245,574	100%	159,001	100%

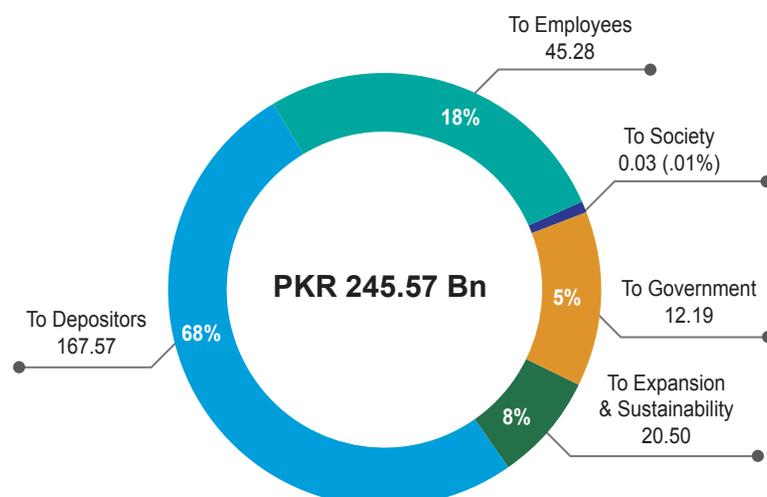
Value Generation

(PKR 'Bn)



Value Distribution

(PKR 'Bn)

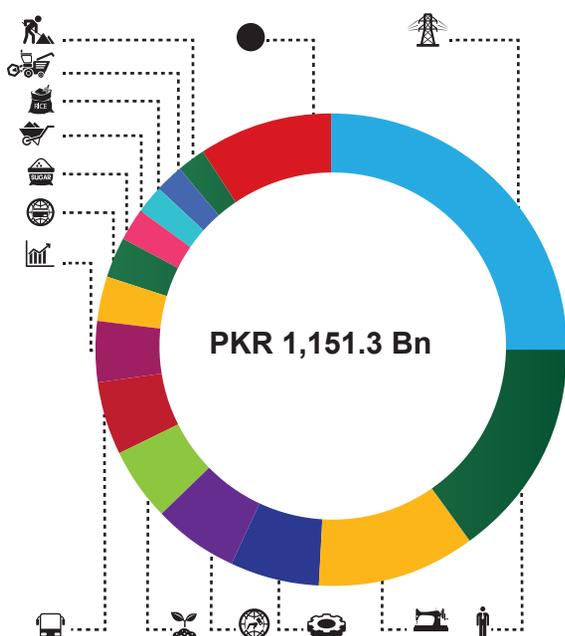


SECTORAL CONCENTRATION

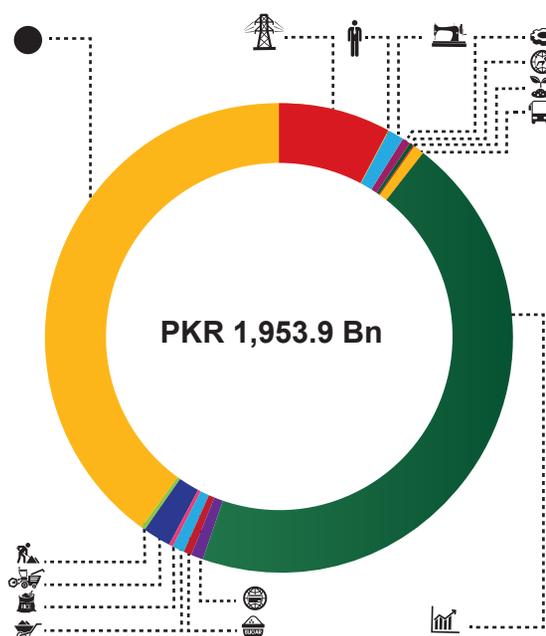
PKR 'Mn

Sector		Gross advances			Contingencies and Commitments		
		2019	(% Share)	(% Var)	2019	(% Share)	(% Var)
Power (electricity), Gas, Water, Sanitary		289,464	25%	5%	159,559	8%	-2%
Individuals		170,312	15%	14%	264	0.01%	-18%
Textile		130,556	11%	18%	9,793	1%	36%
Metal Products		67,474	6%	4%	2,366	0.12%	-10%
Public Sector Commodity Operations		66,639	6%	-1%	1,095	0.06%	-4%
Agriculture, Forestry, Hunting & Fishing		59,016	5%	19%	236	0.01%	6%
Transport, Storage and Communication		56,638	5%	-6%	17,514	1%	2%
Financial		40,693	4%	48%	901,993	46%	48%
Wholesale and Retail Trade		36,169	3%	-17%	1,555	0.08%	-61%
Sugar		34,367	3%	-10%	742	0.04%	100%
Cement		28,286	2%	8%	10,122	1%	71%
Rice processing & Trading		26,951	2%	-6%	45	0.002%	-69%
Engineering		24,967	2%	85%	48,284	2%	-4%
Fertilizer		20,813	2%	6%	3,853	0.20%	82%
Others		98,970	9%	18%	796,474	41%	46%
Total		1,151,315	100%	9%	1,953,896	100%	39%

Gross Advances



Contingencies and Commitments

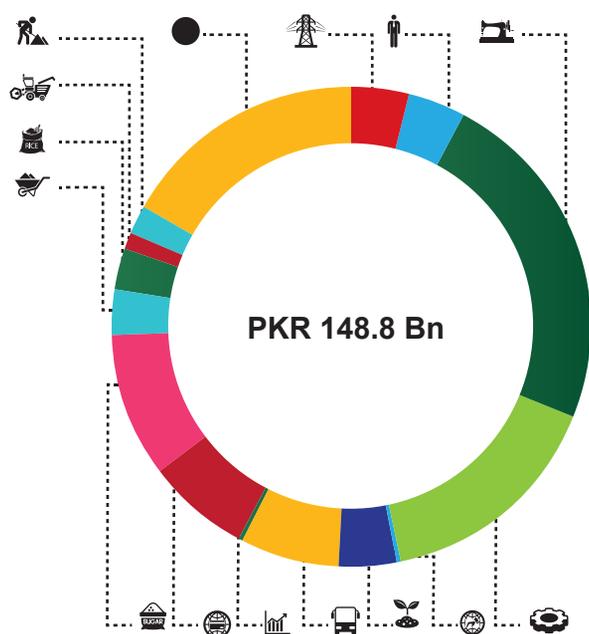


SECTORAL CONCENTRATION

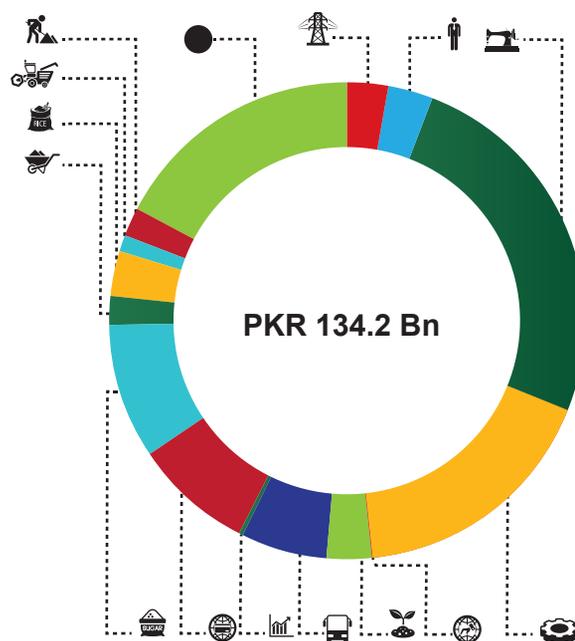
PKR 'Mn

Sector	Icon	Non-performing advances			Provision held		
		2019	(% Share)	(% Var)	2019	(% Share)	(% Var)
Power (electricity), Gas, Water, Sanitary		5,435	4%	44%	4,449	3%	18%
Individuals		6,086	4%	-13%	4,182	3%	-14%
Textile		35,115	24%	-10%	33,826	25%	-12%
Metal Products		23,354	16%	22%	22,346	17%	24%
Public Sector Commodity Operations		74	0.05%	0%	74	0.05%	0%
Agriculture, Forestry, Hunting & Fishing		5,565	4%	26%	4,134	3%	30%
Transport, Storage and Communication		10,091	7%	7%	7,925	6%	-2%
Financial		294	0.20%	-35%	294	0.22%	2%
Wholesale and Retail Trade		10,710	7%	158%	10,437	8%	153%
Sugar		14,393	10%	15%	12,667	9%	4%
Cement		4,177	3%	111%	2,467	2%	25%
Rice processing & Trading		4,575	3%	0%	4,495	3%	-1%
Engineering		1,424	1%	4%	1,421	1%	6%
Fertilizer		2,886	2%	0%	2,861	2%	-1%
Others		24,571	17%	8%	22,593	17%	1%
Total		148,752	100%	12%	134,170	100%	6%

Non-performing Advances

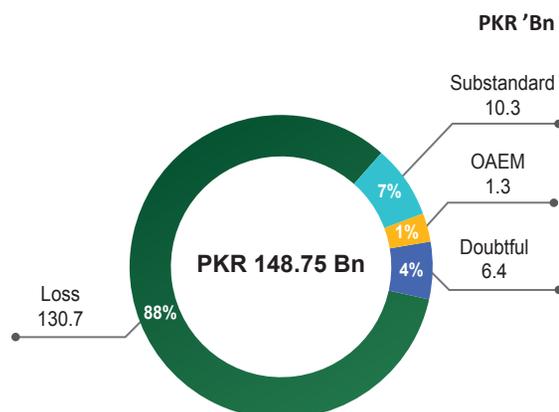


Provision held

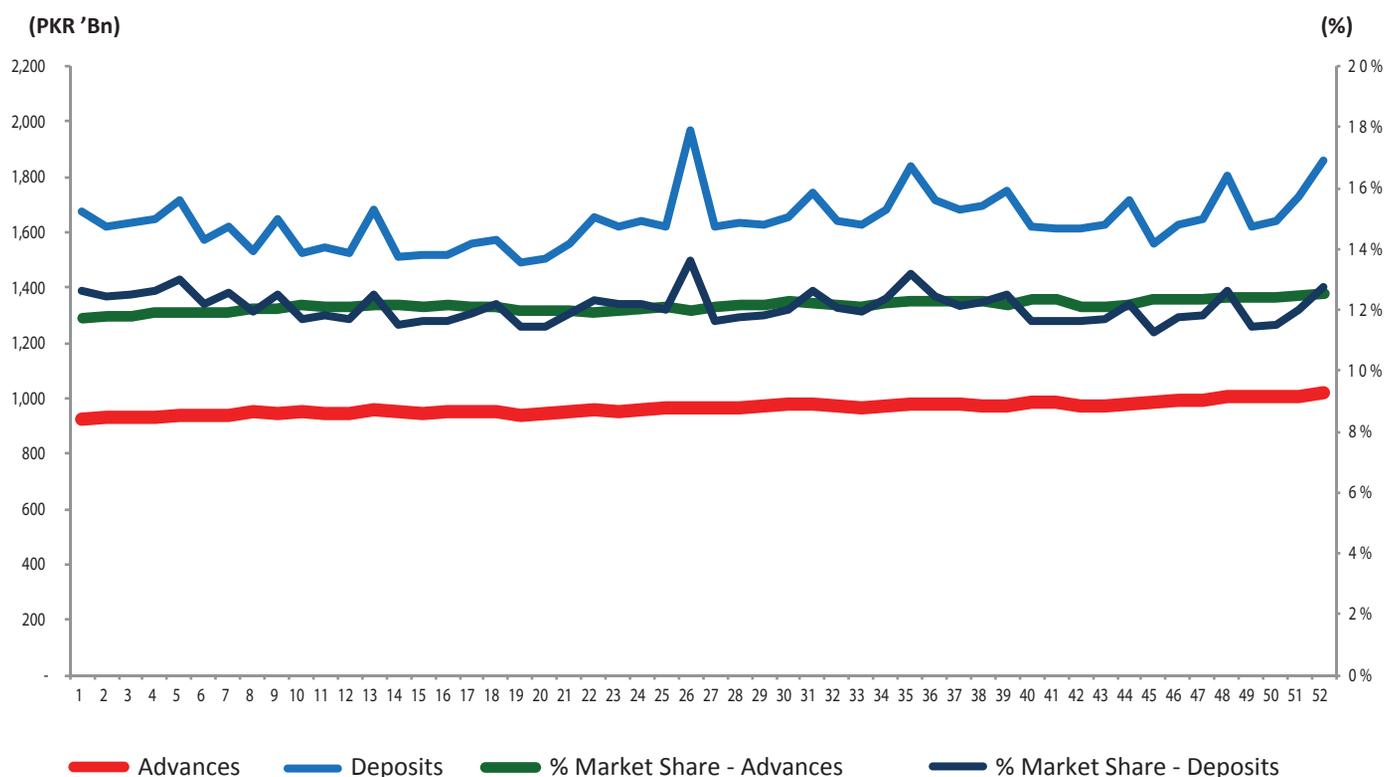


NON-PERFORMING LOANS

Category wise	2019		2018	
	NPL	Spec. Prov.	NPL	Spec. Prov.
OAEM	1,290	78	1,273	65
Substandard	10,292	2,551	3,783	923
Doubtful	6,440	3,207	1,399	689
Loss	130,729	128,334	126,905	124,589
Total	148,752	134,170	133,360	126,266



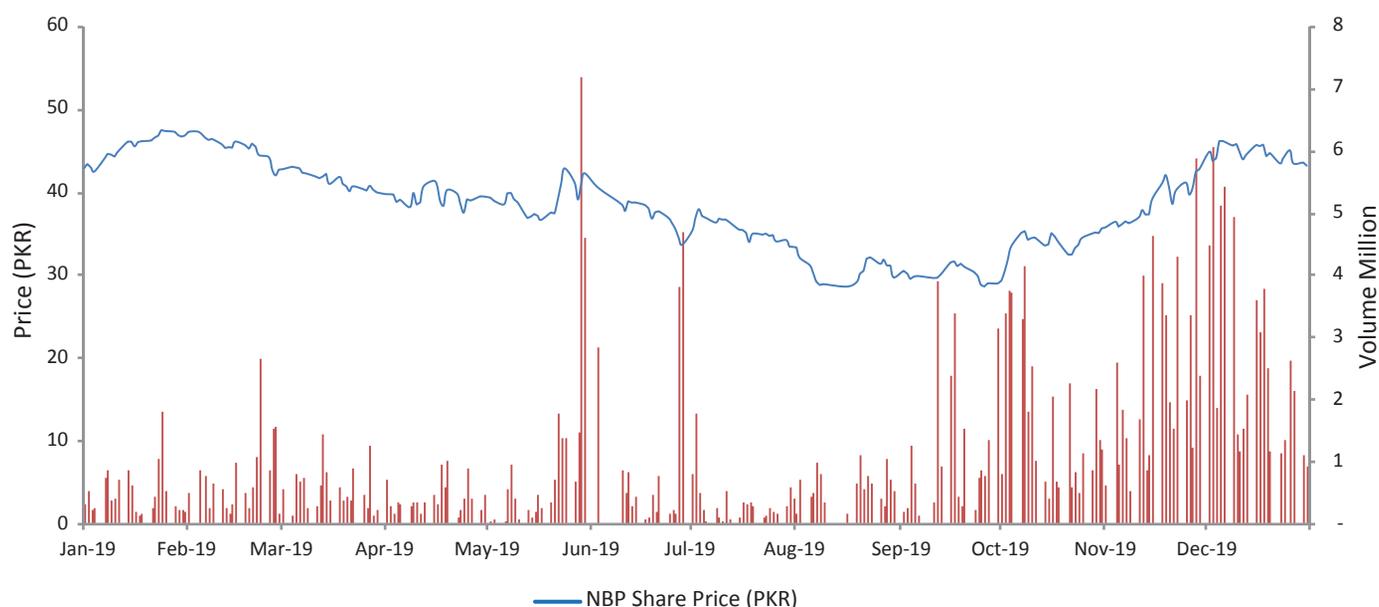
Weekly Domestic Advances and Deposits - 2019



SHARE PRICE AND MARKET CAPITALISATION

	High	Low	Closing	No. of Shares	Share Turnover	Market Capitalisation
2019		PKR		O/S	Number	(PKR 'Mn)
	(A)	(B)	(C)	(D)	(E)	(F=C x D)
December 31, 2019	48.0	28.8	43.3	2,127,513,026	912,000	92,121
September 30, 2019	38.9	28.3	29.0	"	3,140,000	61,592
June 30, 2019	43.1	33.5	33.7	"	4,709,000	71,612
March 31, 2019	48.2	40.0	40.1	"	208,000	85,228

NBP SHARE PRICE MOVEMENT - 2019



KSE 100 INDEX - 2019



Organisational Overview



The National Bank of Pakistan
UAN 111 627 627
www.nbp.com.pk

NBP National Bank of Pakistan

NBP has a proud history of 7 decades and deep roots throughout the country, with the scale and diversity to serve customers and clients across a broad range of financial needs.

Established on November 09, 1949 under the “National Bank of Pakistan Ordinance 1949”, it is a leading Commercial Bank that has been entrusted to act as an agent to the State Bank of Pakistan. Over the decades, the Bank has redefined its role into a modern growth-oriented Commercial Bank by expanding its business network across continents and capturing sizeable market share in the capital and equity markets, corporate and investment banking, retail and consumer banking, agricultural financing and treasury services in Pakistan. The Bank has an international presence through branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America.

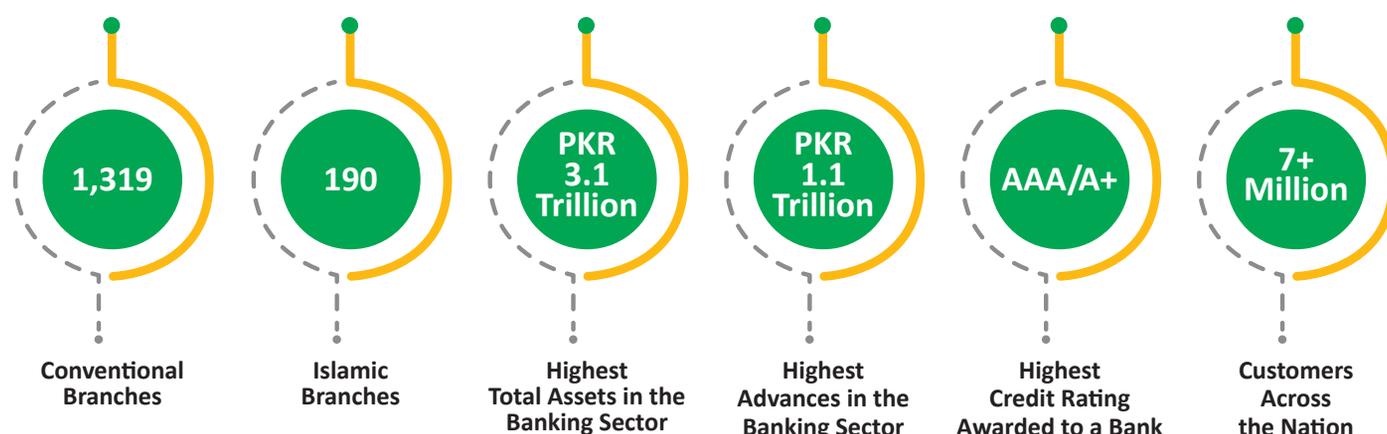
We are privileged to play an important role in the Country's economy. That brings with it a deep responsibility to the communities we serve across the Nation.

Our purpose is to serve the Nation well. We are building a safe, simple and customer-focused Bank for greater inclusive development across the country. Together, with our local and international subsidiaries, we provide commercial banking services including deposits, bancassurance, corporate loans, investment banking advisory, forex, global remittances, underwriting, asset management, agency services, brokerage, Modaraba and other such banking and financial services. We strive in promoting financial inclusion of the unbanked masses in the country, creating equal employment opportunities and delivering our responsibilities as a responsible corporate citizen.

Our Product Universe

The Bank functions in a highly competitive and regulated, but one of the most promising market environments that offers significant growth opportunities. We proactively identify our customers and their banking requirements. Our diversified and comprehensive products and services provide universal banking solutions for all credit and non-credit financial requirements of the customers. Individuals can benefit from a large array of our products i.e. EMV Debit Card, a safe place to deposit their savings, government employees can obtain financing against their salary, can obtain mortgage finance as a first step towards building a home or can benefit from our home remittance service to receive cross-border funds from their family members abroad.

For businesses, NBP is there to help entrepreneurs launch a start-up, fund their balance sheet growth, manage payments timely and securely, expand internationally, manage financial risks effectively, and deal with thousands of business counterparts globally through our branches and representative offices. Details of our products may be found at: <https://www.nbp.com.pk>



Our Geographical Footprint

The Bank has an unparalleled and one of the largest branch network operating all across the country, including the most remote rural areas where no other bank operates. Our business operations are based on a geographically diversified, composite and integrated structure whereby the banking and non-banking financial and related services are typically provided by the Bank through its domestic and international branches, subsidiaries and associates. The recent rise of urbanisation and the growing middle class younger population, rapid technological advancement and increasing local and global business connectivity are all driving further growth in both the conventional and Islamic banking network.

Our Operating Landscape

Context does matter! The Bank's financial position & performance and sustainable value creation are all intrinsically linked to the socio, political and economic trends both locally and globally. In the process of our Strategic Business Planning, we consider and assess the importance and materiality of external influences both in terms of their relevance to our stakeholders, and their potential impact on the financial position and performance of the Bank.

Our operating environment played a key role in shaping our financial and non-financial performance during 2019. Since these factors will continue to play their role in our future performance, the Bank has put into place effective strategies to address the key considerations in both the short-term and long-term.

Key Influences

Inflation (YoY)

Month	Inflation (YoY)
Jun-19	8.0%
Jul-19	8.4%
Aug-19	10.5%
Sep-19	11.4%
Oct-19	11.0%
Nov-19	12.7%
Dec-19	12.6%
Average CPI (Jul-Dec)	11.10%

Trade Deficit

Jul - Dec FY19
USD
~18.38 bn

Jul - Dec FY20
USD
~11.61 bn

Policy Rate

The State Bank of Pakistan (SBP) has kept the policy rate constant at 13.25% effective 22nd Nov, 2019.

13.25%

Short-Term Considerations

Lower Economic Growth

Pakistan's economy continued to grow in 2019, *albeit*, at a reduced pace and below its 5 years' term trend. NBP's performance is strongly linked to the overall momentum in the economy.

Our Response

We maintain a diversified and stable earning asset mix to generate healthy profits. Our funding pool is stable and no single sector has a major control or impact on either the asset or liability side of our business.

Political Landscape

Political risks continue to evolve with geopolitical uncertainties in the region. A major volatility in the political conditions can significantly affect the Bank's functioning and the profitability of the Bank.

Our Response

The Bank is watchful of the prevailing political situation. Our business strategy and policies are devised efficiently to safeguard the Bank's interest against any abrupt political changes.

Technological Innovation & Cyber Security

Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry, and the banking system is shifting from traditional banking towards IT-based relationship banking. While this is an opportunity, it has also increased the risk of cyberattacks, resulting in data breaches and unanticipated developments.

Our Response

We aim to optimize our Technology Landscape to enable innovation, promote operational excellence and meet business objectives while ensuring data safety and security through a multilayered approach to cyber security.

Contingencies and Litigation

The Bank is currently managing litigation related to pensionary benefits of retired employees. While we are confident of a favourable outcome, on the contrary an adverse judgement may have a material impact on the financial performance and position of the Bank.

Our Response

Our focus remains on putting into place and maintaining measures to create adequate buffers to absorb any imminent impact of an adverse outcome. We are also taking measures to prevent such issues in the future.

Operational Resilience

2019 has seen heightened regulatory checks on the operational competency of banks, including operational lapses, data breaches and technology failures.

Our Response

Our focus remains on putting in to place and maintaining measures to create adequate buffers to absorb any imminent impact of an adverse outcome. We are also taking measures to prevent such issues in the future.

Legal & Regulatory

The Bank operates in an increasingly complex regulatory environment with the focus slightly broadening from banking regulations to include non-banking specific regulations, for example, relating to green banking initiatives.

Continuous changes in the SBP Regulations, IFRS, Finance Act, Taxation Laws, etc.

Our Response

The Bank endeavours to comply with applicable laws and regulations enacted by the Government, SBP, SECP and other regulatory bodies.

Our Compliance, Risk, Audit and Legal Functions are equipped with adequate resources to keep the Bank compliant with regulatory requirements in a timely and meticulous fashion.

Long-Term Considerations

Inclusion & Business Diversity

Access to mainstream financial services due to lack of digital capacity and skills remains a concern to consider in the long run. Also, the squeezed disposable incomes and the higher inflation is mounting financial pressures on customers.

To be a leading bank for partnering for inclusive financial growth through innovation and service, we will have to develop a more inclusive & diversified business strategy.

Unorthodox Competition

Regulators are encouraging and becoming more open to allowing alternate financial services providers, particularly in Payment Services.

Our Response

To respond to growing unorthodox competitive pressures, the Bank will need to continue to improve its products and services in order to increase market share.

Technology & Digital Transformation

Optimize the technology landscape to enable innovation, promote operational excellence and meet business objectives.

Human Capital

Recruiting, developing and retaining adequate human capital pool remains our key long-term consideration. We are realigning our HR Strategy with business through best practices for employee development and performance rewards.

Supporting our Communities

The Bank has to operate as a socially-responsible corporate citizen and has to play its role for the socio-economic development of the under privileged members of society throughout the country.

Strategy and Resource Allocation



Our Business Model

Our business model has evolved over 70 years of successful commitment to Pakistan’s economy, intellectual capital developed & refined by the experience, aspirations and resilience to an emerging operating environment. We seek to deliver value to all our stakeholders, partnering for their economic prosperity while balancing our economic, social and environmental impacts. Our vision of becoming “the Nation’s leading Bank, Enabling Sustainable Growth and Inclusive Development” leads our focus on strategic planning to address emerging challenges and to achieve balanced growth, stability and stakeholders’ trust.

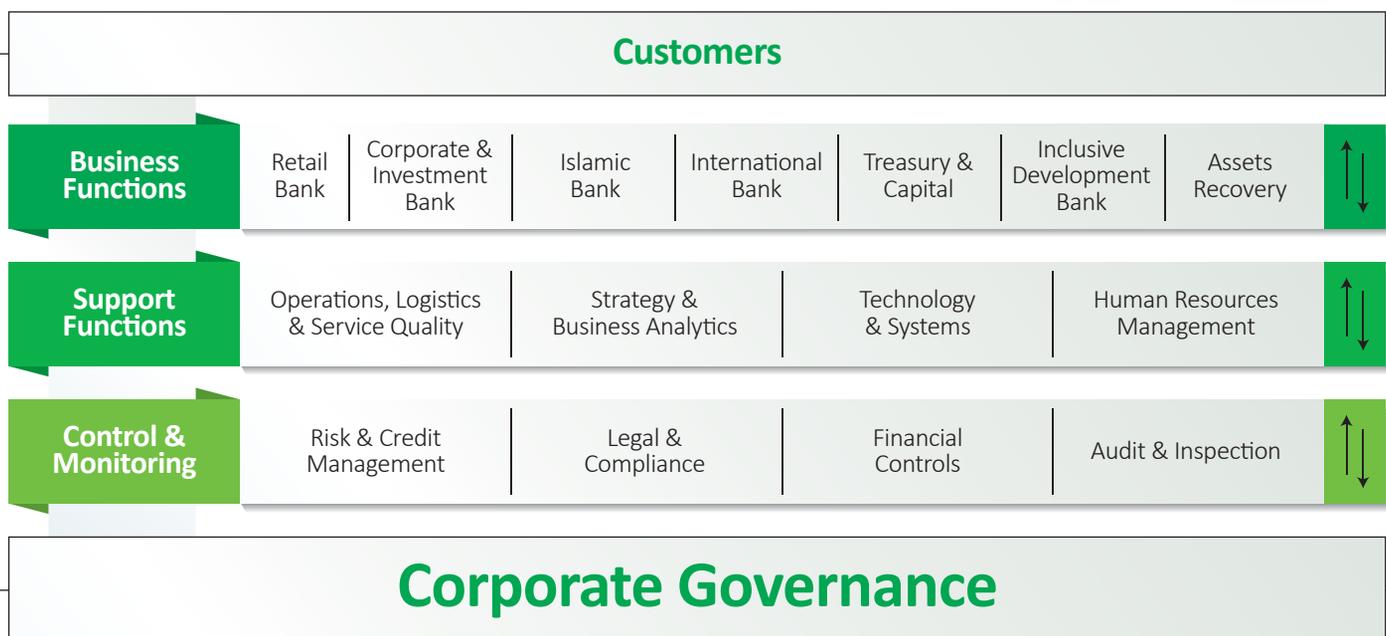
Our strategic planning processes continue to evolve each year, building on the learnings of each planning cycle. The perimeter represents the external forces and trends shaping our operating landscape. Financial Planning & Analysis, Corporate Governance and Risk Management provide a framework and the boundaries within which we will conduct our business. Our stakeholders’ engagement processes help us in establishing our stakeholders’ value propositions and maintaining an equitable balance between stakeholder interests. Our strategy and KPIs are formulated considering these two key inputs and the Capitals available to us.

Over the period we have developed a customer-focused strategy to provide financial solutions to individuals, small and medium enterprises, as well as large corporate and public sector entities. We have established a dedicated business function for each category of our customers. Our business functions are primarily responsible for making their respective business strategies and plans while ensuring coherence with the overall strategic goals of the Bank. Each business group defines and delivers the customer proposition and is responsible for end-to-end customer processes.

Support functions at the Head Office manage adequate logistics and technological support for the business functions for achieving their business targets.

Our Head Office control functions provide a supervisory and governance role through policy making and monitoring. The control functions ensure implementation of regulatory as well as internal policy frameworks that set the route for functioning of the business groups.

Broadly, our operating model is illustrated below:



Our balance sheet strength, regulatory compliance, high standards of corporate governance, transparency and commitment to best business practices are the key to our success and to earn the reputation of being the most trusted Bank in Pakistan.

Creating Value for our Stakeholders

As the Nation's Bank, we endeavour to bring more to society in line with the objectives of the State than just our financial value. Our long-term success is dependent on serving our customers well and generating value for society through our products, services and facilities.

At NBP, value is created through our business model, where we transform various inputs or Capitals through business activities & interactions to produce outputs and outcomes that create value over the short, medium or long-term. Our input is across various capitals, i.e., Financial Capital, Manufactured Capital, Human Capital, Intellectual Capital, Customer Capital, Social and Natural Capital. Compared to Corporates in other sectors, the financial institutions generate lower Return on Assets which is below 2% in general, compared to 15% - 20% earned by corporates in other sectors. To make the returns attractive for our shareholders, we resort to the process of a Gearing which enables the Bank to expand its business volumes by mobilising higher funding through deposit mobilisation and borrowings and placing the same at premium in multiple streams of earning assets on the strength of a comparatively fixed and small amount of shareholders' equity. Thus, the Bank is currently

operating at 13.5 times equity multiplier of net assets.

Our business and value creation model is centered to the two basic functions of (i) Financial Intermediation, and (ii) Maturity Transformation. Financial Intermediation entails that the Bank acts as an intermediary between its various customers, e.g., depositors-to-borrowers, importers-to-exporters, remitters-to-beneficiaries, and investors-to-entrepreneurs by offering both fund based and non-fund based financial solutions. Maturity transformation on the other hand, is an act of borrowing money for short-term and invest or lend out at risk premium.

These two functions are the key propellers of value creation and augmenting financial capital of the Bank through key income streams being (i) the fund based mark-up / interest income, and (ii) non-fund fee and commission income. Fund based income is generated through mobilising funds from the depositors and lending to the borrowers; whereas the maturity transformation by short-term borrowings under repo arrangements. The interest margin, i.e., delta between the lending rate and the borrowing rate, compensates the Bank for the credit and interest

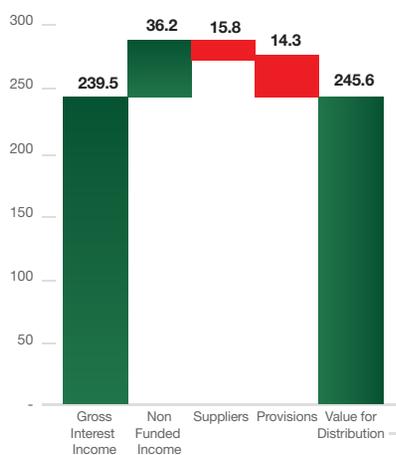
NBP plays an important role in connecting its customers with the opportunities - we recognise this role in serving our depositors, borrowers and the society as our growth is always linked to the progress of the people, businesses and the communities we serve.

rate risk it takes. Hence, the Bank's net interest / mark-up income is the residue from the mark-up income generated and the mark-up interest expensed on the deposits, borrowings and other debt obligations. The Bank also earns non-fund based income by way of fee and commission for the services. This year, the Bank earned 66.5% of its total revenue by way of mark-up / interest income. Rest of the income was generated through capital gains, dividend income, income from dealing in foreign exchange, etc. These two major categories of income directly lead to augmenting the financial capital of the Bank.

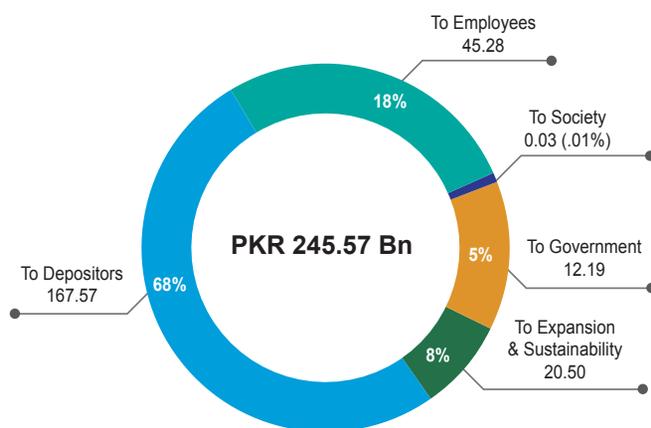
The diagram on the next page illustrates our Business & Value Creation Cycle, i.e.

- (i) the sources of inputs
- (ii) the processes deployed
- (iii) the value created, and
- (iv) distribution of the value created.

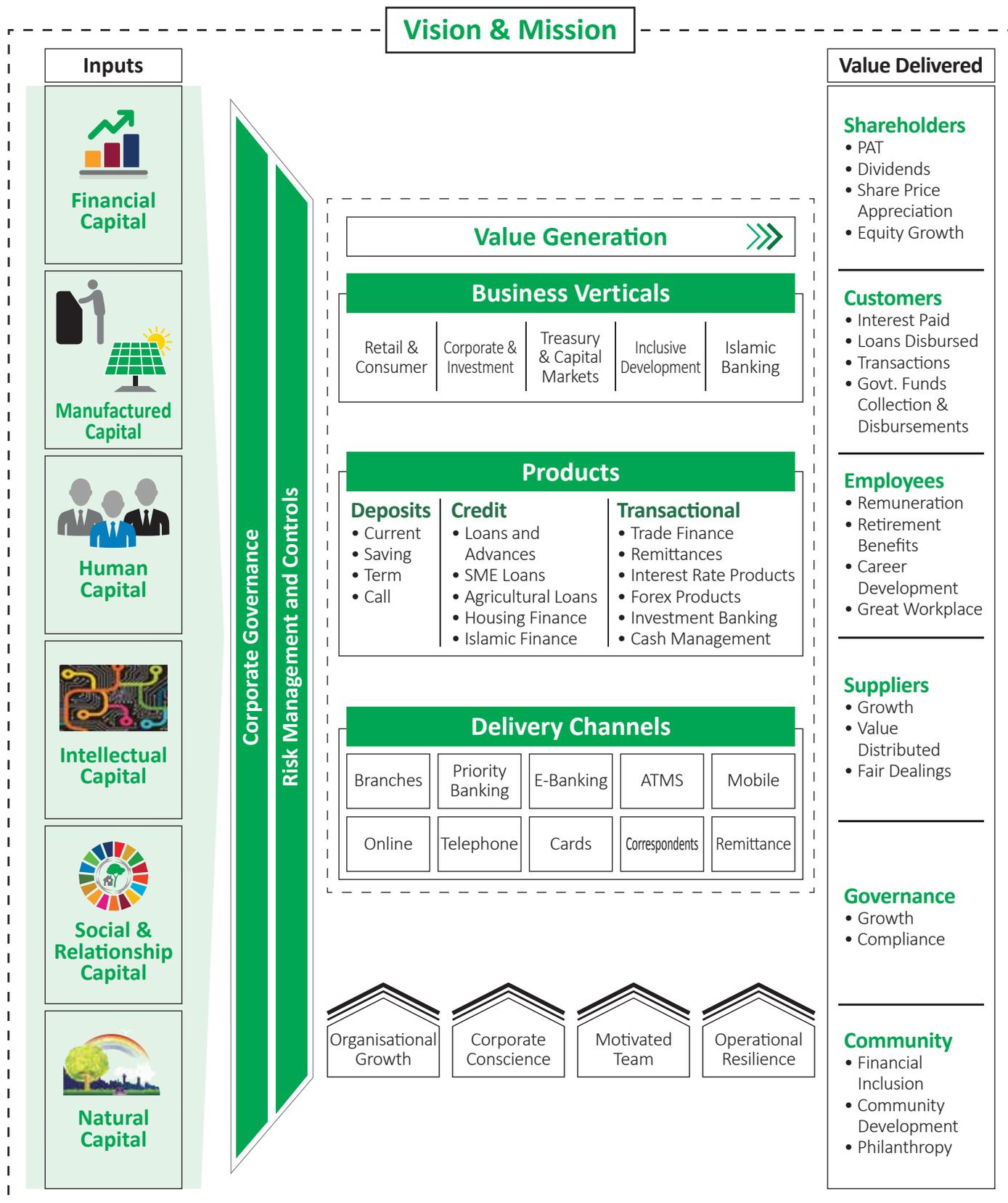
Value Generation (PKR 'Bn)



Value Distribution (PKR 'Bn)



Our Business & Value Creation Model



Business Strategy

Our strategy evolves around our vision to be the Nation’s leading Bank enabling Sustainable Growth and Inclusive Development. This is what drives us. In pursuance of our Goals, we are operating in a highly competitive and regulated environment with frequent developments relating to technology, stakeholder preferences, unorthodox competition, greater regulations, etc.

These developments solicit strategic responses for achieving our strategic goals. Strategic responses for emerging challenge areas are identified in our yearly Strategic Business Plan. Broadly, strategic objectives of the Bank are categorised as follows:

Short-Term: The Banks’ short-term objectives include improving its service quality, strengthening its control & compliance functions and achieving operational efficiencies.

Medium-Term: The Bank endeavours to enhance its market share by prudently expanding its core business and strengthening infrastructure capital by investing into modern-day alternate delivery channels.

Long-Term: Building on our short-term and medium-term achievements, the Bank’s long-term objective is to become a catalyst for economic growth, serving across the Nation through strategic alliances, information technology, digitisation and a talented human capital pool.

Our objectives in the short-term, medium-term and long-term are reviewed and aligned every year under the Strategic Business Plan which is agreed by the management and approved by the Bank’s Board of Directors. The strategic business plan encapsulates the business strategy and action plan of each Group along with desired timelines.

Strategic Priorities

We have outlined a multi-year strategy to build on the core strengths of our business model and recognised client franchise. Our priority areas for the year 2020-2021 as approved under the Strategic Business Plan includes:

- Inclusive Development - Delivery on National Agenda
- Business Development, particularly through Digital Banking
- Service Quality & Image Building
- Operational Efficiencies & IT Systems
- Effective Risk Management & Controls
- Organisational Development & Human Capital Enrichment

Strategies adopted to achieve desired results in the identified priority areas include:

- **Information Technology** - IT to remain high on the agenda. All necessary measures to be adopted to ensure seamless system integration, upgradation, optimize technology landscape to enable innovation, promote operational excellence and meet business objectives.
- **Digital Banking** - New products to be launched and new variants and enablement to be synchronized with the existing channels to stay ahead. Effective marketing of digital products to arrest counter traffic and promote financial inclusion.
- **Inclusive Development** - Delivery on National Agenda - Focused approach towards agriculture, and SME segment to capitalize on the government initiated lending program for Youth Entrepreneurship “Kamyab Jawan”. Besides, the Bank also plans to promote the inclusion of women borrowers in the financing mix to encourage women entrepreneurship and employment. Further, increased availability of affordable housing finance to middle and lower income groups in line with the Government of Pakistan agenda is also on the cards.

As a largest provider of credit in the country, we are committed to promoting economic growth through greater financial inclusion, by supporting small and medium businesses to create and retain jobs in some of the country’s most deprived areas. For the purpose, we have established the Inclusive Development Group (IDG) which stems from our strong commitment to contribute to the development of the country by focusing on key sectors of the GDP which are underserved financially. These sectors include Agriculture, SME, Youth and Women, which are all part of the IDG strategy.



- **Business Development** - Launch new liability and asset products primarily focusing on retail financing, and identify new markets for our existing retail products. New corporate exposure and limit enhancement for existing exposure to remain selective, primarily focusing on Tier-1 clients in each industry segment. Islamic Banking to focus on branch rationalization, low cost deposit mobilization and system integration to facilitate launch of new asset products.
- **Operational Efficiency & Image Building** - We will streamline the Bank's systems and processes to achieve operational efficiency. Also, improvement in service quality through automation, introducing concept of branch service ladder. Soon we are launching a new theme of promotional campaigns will be "Reconnecting with the Youth".
- **Human Resources** - Modernization of HR through hiring of qualified and professional teams. Introduced Business partners to engage with Groups with a focused approach towards meeting their HR-related requirements.
- **Recovery & NPL Reduction** - Focused approach towards NPL recovery and target industries with growth potential to prevent NPL accretion. Internal Risk Rating to remain on priority while on-boarding new clientele and sanctioning limit enhancements to existing customers.
- **Risk Management & Controls** - Revision in credit policies, manuals and processes to align the same with the Industry and International Best Practices. Introduce the concept of industry experts across business segments and partnering with academia for client advisory for enhanced risk management and prevent deterioration in asset quality.
- **Expense Management** - Austerity measures to be adopted and expenses to be rationalized. Introduction of thin-client concept is in the planning phase.

Strategy Execution in 2019

Planning and execution being two sides of the same coin. Execution is equally important for achieving our goals. Hence, at the beginning of the year the strategic goals as approved by the Board of Directors are communicated to all those who are responsible for the execution, defining their path into the future. During 2019, we made material progress towards achieving our goals as defined at the start of the year. Major achievements in 2019 include:

- Effectively implemented the reorganized Head Office and field structure of our various business and support functions, thereby, enhancing client coverage, improving market share and deriving efficiencies and growth.
- Total Assets increased by 11.64% to close at PKR 3,124.38 billion as against PKR 2,798.57 billion at the close of year 2018. This makes us the largest Bank in Pakistan in terms on standalone financial position. Our Branch Banking loans and advances reached to PKR 387.1 billion, whereas the deposits closed at PKR 1,972.72 billion. Similarly, growth was also achieved in our Corporate loan book also achieved a 8.3% growth to close at PKR 615 billion and is now one of the largest in the Banking industry.
- This year the Bank generated gross value of PKR 275.68 billion that is 48.0% higher YoY. Of the gross value generated, 87% was contributed through our fund based operations, whereas, 13% came through non-fund based operations. Excluding the sum of PKR 167.57 billion (2018:PKR 89.30 billion), paid to our providers of non-equity funds, total revenue for the year mounted to PKR 108.11 billion, which is 11.55% up against PKR 96.92 billion of prior year.
- We have launched the EMV Debit Card and the Mobile Banking Application Facility.
- We spent PKR 1,080 million during the year to improve our IT landscape by upgrading IT systems and peripheral.
- Our Service Quality Group is functioning efficiently and striving for improvement in processes to reduce complaint recurrence. During the year 2019, a total of 93,682 complaints were received and the Bank has taken appropriate measures to promptly achieve 96% resolution rate. Our call centre is becoming an effective tool in responding to customers' queries, particularly in respect to new products and services, and government sponsored schemes for Youth Business Loans (such as PM's Kamyab Jawan Program).

Key Performance Indicators (KPIs) Against Strategic Objectives and Their Relevance in the Future.

Strategic Objective:

Prudent Balance Sheet Growth

Key Achievement Areas:

- Total Assets
- Deposits Mobilisation
- Advances

Achievement Indicators:

As of December 31, 2019, the total assets of the Bank amounted to PKR 3,124.39 billion, depicting a healthy growth of 11.64% YoY.

Deposits recorded a 9.3% growth by reaching to PKR 2,198.05 billion. Positively, the CASA mix improved to 81.8% from 81.5% at December 31, 2018. In Advances too, we achieved the PKR 1-Trillion mark as our gross advances grew by PKR 91.8 billion or 8.7% to PKR 1,151.31 billion.

Future Relevance:

This will remain critically relevant in the future.

Strategic Objective:

Sustained Profitability

Key Achievement Areas:

Operating and Net Profit

Achievement Indicators:

For the year 2019, the Bank earned pre-provision profit of PKR 42.25 billion. This is 3.1% higher against PKR 40.98 billion earned for corresponding year. However, due to higher provisions and tax burden, Profit before-tax and after-tax for the year closed at PKR 28.00 billion and PKR 15.81 billion which is lower by 5.7% and 21.0% respectively, as compared to the prior year.

Future Relevance:

This will remain critically relevant in the future.

Strategic Objective:

Business Development & Operational Efficiencies

Key Achievement Areas:

- Launch of new products
- Deployment of IT systems

Achievement Indicators:

The Bank implemented organisation realignment at both the Head Office and Field Level. We have improved our Information Technology – Systems & Knowledge in the area of Disaster Recovery, Home Remittance, centralized account opening and biometric validation system for account opening, etc. This all will streamline the operating efficiencies, greater regulatory compliance, as well as improving the customer service quality and product / service deployment.

Future Relevance:

This will remain critically relevant in the future.

Strategic Objective:

Capital Adequacy & Strength

Key Achievement Areas:

Capital Adequacy Compliance

Achievement Indicators:

With Common Equity Tier-1 (CET-1) ratio at 12.11% (Dec' 18 : 12.10%) and overall Capital Adequacy Ratio (CAR) at 15.48% as of December 31, 2019, the Bank is compliant with the enhanced regulatory requirement with a buffer of 1.5%.

Future Relevance:

This will remain critically relevant in the future.

OUR CAPITALS

Since we are committed to enhancing stakeholders' value, we have deployed adequate resources "CAPITALS" to ensure efficient strategy execution. Our CAPITALS fall under 6 major categories, each one is briefly discussed below:

Financial Capital

Our financial capital comprises of the funds injected by the equity shareholders and it helps the Bank in acquiring, developing and maintaining other types of capital to perpetuate its business. It also acts as a buffer to absorb unanticipated losses and serves as a regulatory restraint on imprudent assets growth. Therefore, the regulators have recently prescribed higher capital, both in terms of quality and quantity.

Regulatory requirements, e.g., SBP regulations, IFRS and the Basel Framework are having a significant impact on the management of the Financial Capital as banks are now required to maintain greater capital and liquidity buffers and to take lesser risk. This all is leading to higher costs of capital and lower net interest margins. Once the IFRS-9 is implemented, banks will have to

Total RWA for Credit Risk and Market Risk of the Bank increased to PKR 913.6 billion and PKR 91.7 billion, respectively during 2019 from PKR 795.5 billion, and PKR 81.1 billion as at end 2018.

The RWA for Operational Risk meanwhile increased to PKR 173.6 billion, during 2019 compared to PKR 155.1 billion, in 2018.

The overall increase in RWA during 2019 was PKR 147.3 billion, mainly contributed to by loan-book growth.

create higher general loan-loss provisions under the expected credit loss model. We are already in the process of carrying out a study to identify the impact of IFRS-9 on the capital adequacy of the Bank.

In such an operating landscape, the Bank's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain development of the business. Adequacy of the Bank's financial capital is monitored using, inter alia, the rules and ratios established by the SBP. These ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank has devised efficient stress testing scenarios to assess the impact on the financial capital of the Bank under the Internal Capital Adequacy and Assessment Process (ICAAP). Other tools deployed include prudent capital allocation, balancing risk-weighted assets, timely repricing, dividend policy, products and services portfolio.

Key objectives of our Capital Management & Adequacy strategy include:

- Regulatory Compliance
- Meeting internal capital targets which are more stringent than the regulatory requirements
- Maintaining optimum Risk Weighted Assets for profit maximisation
- Achieving Corporate Sustainability;
- Securing the highest credit rating for the Bank.

Despite the increased regulatory requirements and a depressed business environment in general, the Bank efficiently managed its financial capital that remained compliant with the regulatory requirement throughout, and at the end of the year 2019, leaving sufficient leeway for achieving the business growth targets as per the Strategic Business Plan.

As of December 31, 2019, the total Risk Weighted Assets "RWA" for the Credit Risk and Market Risk amounted to PKR 913.6 billion (2018:795.5 billion) and PKR 91.7 billion (2018:PKR 81.1 billion), respectively. Whereas, RWA under Operation Risk amounted to PKR 173.6 billion (2018:155.1 billion). The overall increase in RWA during 2019 was PKR 147.3 billion, mainly on account of the loan-book growth.

As a result of our strategy execution, we generated good profit during the year, further strengthening Capital Adequacy

Ratio of the Bank. As of December 31, 2019, the Bank's total eligible Capital amounted to PKR 182.53 billion (2018: PKR 168.7 billion), of which Eligible Tier-I Capital amounted to PKR 142.72 billion (2018:124.8 billion). Accordingly, the Bank's net assets, stand increased to PKR 232.61 billion (2018:PKR 206.9 billion). At end 2019, CET-1 ratio of the Bank stood at 12.11% (2018:12.10%), whereas Total Capital Adequacy Ratio stood at 15.48% (2018:16.35%)

NBP is the only Bank in Pakistan with credit rating of 'AAA' by both the approved credit rating agencies in Pakistan. In June 2019, M/s JCR-VIS Credit Rating Company again reaffirmed the Bank's standalone rating of "AAA", one of the highest credit ratings accorded by the company for any bank in Pakistan. PACRA has also assigned a long-term entity rating of 'AAA' (Triple AAA) and short-term rating of 'A1+' (A-one Plus). This strong credit rating capacitates the Bank to access additional capital in case a requirement arises. Also, this year Moody's Investors Services upgraded the Bank's Outlook to "Stable".

Year 2020 and beyond, we will continue efficiently managing our Financial Capital by realigning our business strategies with the regulatory environments and emerging business opportunities. For capital adequacy ratios of past 6 years, please refer to the Financial Highlights section.

Over 10%
market share of the
Banking Sector Assets,
Deposits and Advances

Highest
Total Assets
PKR **3.1** Trillion

15.48%
Capital Adequacy Ratio

Human Capital

The Bank's most important asset is its human capital. At 31 December 2019 the Bank had 15,188 (2018 : 15,738) people as its full time employees. In addition, the Bank also engages 2,096 (2018 : 2,185) outsourced personnel of services companies for certain non-critical functions. Our human capital pool functions coherently to achieve common goals with dignity, dedication, and mutual respect.

Our Human Capital is the primary source for value creation by the Bank.

The Bank is an equal opportunity provider and manages its human capital through two major functions, i.e., HR Centre of Excellence and HR Business Partners.

The Bank's Learning & Development Management Division constantly arranges both in-house as well as external trainings to keep the staff abreast of latest developments in the field. During the year 2019, overall 23,162 employees were imparted trainings with a focus on achieving excellence, particularly for female employees, customer service and regulatory compliance, Core Banking Applications, etc. Besides this, three programs were conducted as Non-Financial Advisory Services for promoting SMEs at Multan and surrounding areas.

We believe a robust turnaround of the Bank can be achieved through effective participation and determined hard work of our people. While we realigned certain functions for greater synergy, we also took measures to engage our people in excellent customer services and prudent decision-making for business growth. We requested our people to share the ideas related to revenue generation, new products, customer service, image building, training, CSR, organizational structures and expense management that they would like to introduce if they were the CEO of the Bank. Their input has really helped us make certain important decisions. Our employees are also encouraged by the Bank's Whistle-Blowing Policy for reporting of potential violations.

15,188
Total Employees

PKR 7.1 Million
Revenue Generated
Per Employee

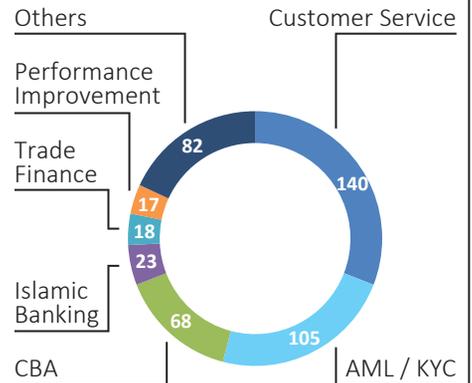
PKR 112 Million
as Investment in Training

PKR 45,285 Million
as Compensation

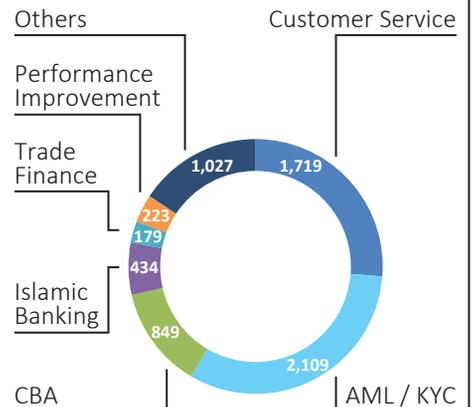


Training and Development

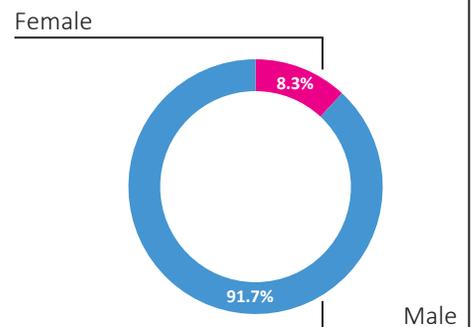
By Subject



Training Participants



HR Composition



Manufactured Capital

This refers to Capital goods, i.e., Buildings, IT infrastructures, ATMs, Vehicles, Equipment, etc. built or acquired by the Bank to deliver its products and services. Given the extreme importance of manufactured capital in smooth execution of business activities, value creation and to meet future challenges, the Bank has focused on developing adequate manufactured capital. The Bank is, and will continue to invest in deploying IT infrastructure with the objective of delivering its products and services through alternate delivery channels.

The Bank is maintaining an optimal balance between owned and rented business premises. Further, the Bank is also mindful of the requirement to maintain a healthy work environment within the Bank premises and is continuously investing for modernization of the business premises. We have started a plan to standardize our workplace ambiance and quality.

During the year, we added further to our manufactured capital by opening new branches, installing ATMs, deploying IT and peripheral equipment, etc.

Consequent to the above initiatives the total value of our manufactured capital amounted to PKR 54.30 billion (2018 : PKR 53.9 billion) at the end of 2019. For further details, please refer to Note 12 to the Financial Statements.

Social & Relationship Capital

The Bank is fully appreciative of the fact that its viability greatly depends on sustainable relationships with each stakeholder group, e.g., customers, suppliers and business partners and the wider community, are built on mutual trust, loyalty, and shared values. The communities where we operate have expectations of the Bank for their well-being in the same way the Bank has expectations of them towards its growth and sustainability. In return, this Relationship Capital creates opportunities for the Bank in the process of value creation.

We have developed a customer-focused business model to offer solutions to each community that has stakes with the Bank. To establish and develop our relationship capital, the Bank interacts with its customers and other stakeholders in a number of ways including social events, customer complaint handling unit, investor relations office, conventional & social media and widespread branch network. In addition to customer convenience, the Bank also pays special focus towards promoting financial inclusion of the unbanked masses in the country.

We also invest into and contribute towards the growth of our communities through various charity and support activities, particularly in the areas of Education, Healthcare, Environment, Sports and Promotion of Culture. During the year 2019, the Bank invested PKR 26.6 million into CSR initiatives.





1530

Branches

1350+

ATMs



6

ATM Centres





PKR 95 Billion Mark Achieved in "Advance Salary" Personal Loan Product

Advance Salary is NBP's flagship Consumer Personal Loan Product that contributes nearly 50% share in the personal loans category in the industry.

Intellectual Capital

Intellectual Capital, being an intangible asset have zero value on the Bank's balance sheet but positively impacts the performance and success of the Bank. At NBP, Intellectual Capital includes all intangible assets that contribute towards value creation for the Bank and its stakeholders. Our intellectual capital includes the brand synonymous values and conduct, human capital knowledge and skills, systems and processes, software, and corporate governance.

Over the period, the Bank has strengthened and enriched its Intellectual Capital through continued measures including deployment of IT systems, efficient policy and system development in the area of Credit, Compliance, Investment, Human Resource Management and Risk Management, etc.

Our Intellectual Capital equips us with a competitive advantage in maximizing the market share and readiness to meet stakeholder expectations.



Natural Capital

This includes natural resources like soil, earth, water and oil, etc. Unlike manufactured resources, most natural resources are finite and cannot be replenished.

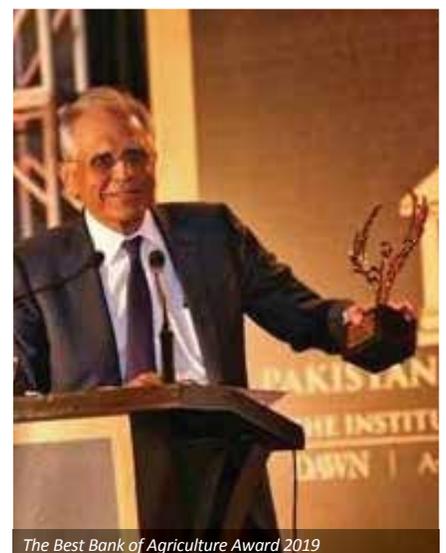
Internally, the Bank has put in place policy guidelines for economical consumption of materials, water and energy in a sustainable manner which also helps the Bank in improving its cost-to-income ratio. While paper continues to be a

major component of the Bank's consumptions of materials, we are encouraging a 'less-paper' environment through promoting Digital Banking, ATMs, E-statements, and distribution of the Annual / Quarterly reports in digital form. As another measure, we have made it mandatory that only energy-efficient lights, e.g., LED's are installed at all our premises. In line with directives of the State Bank of Pakistan, the Bank is developing credit policies to promote Green Banking in Pakistan.

- *Donated a Solar Powered water pump to the University of Chitral to ensure constant supply of water to its Botanical Garden.*
- *Financed PKR 240 million for renewable energy projects.*

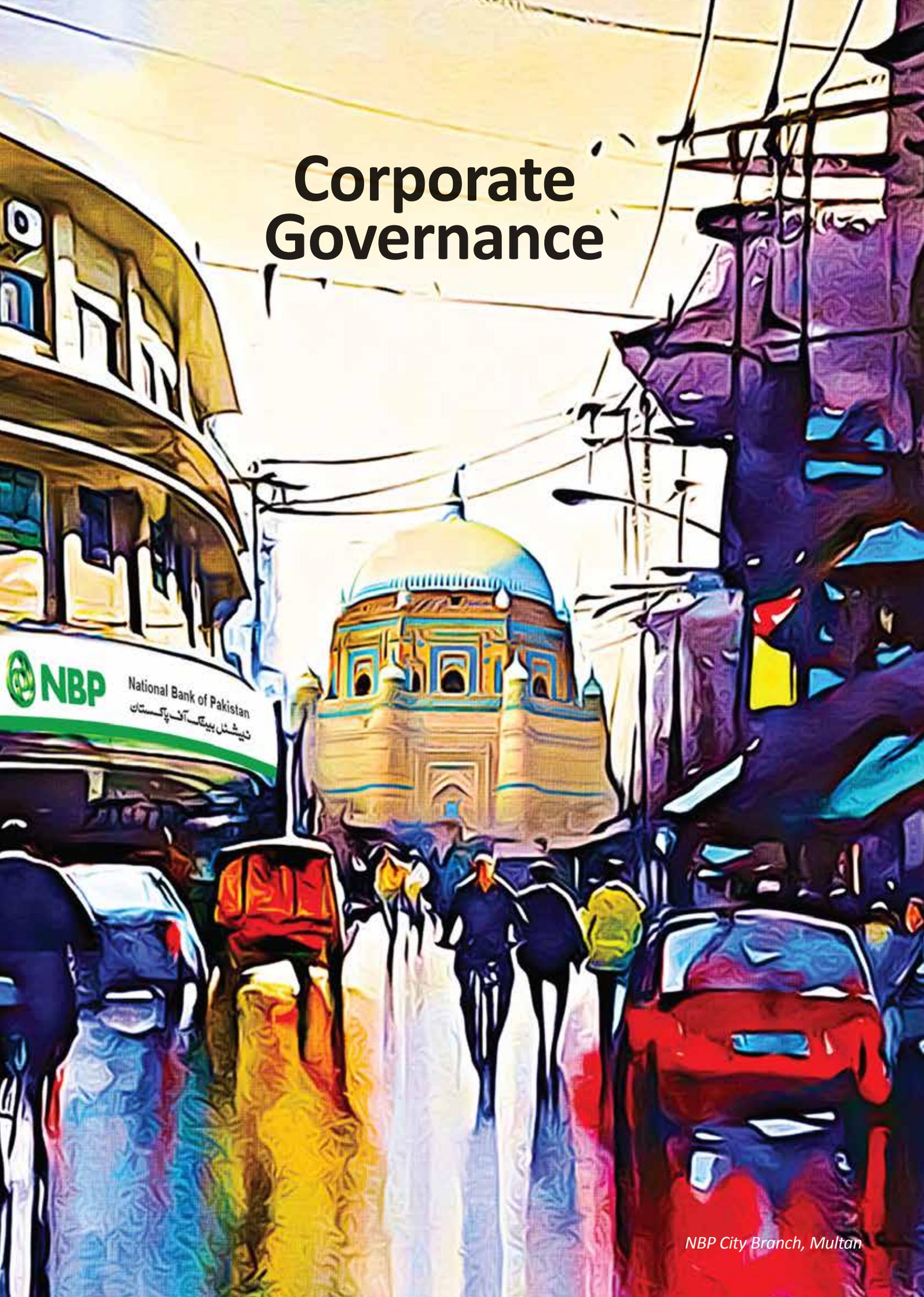


NBP becomes the first Bank in Pakistan to unveil the ICC Cricket Trophy in Pakistan



The Best Bank of Agriculture Award 2019

Corporate Governance

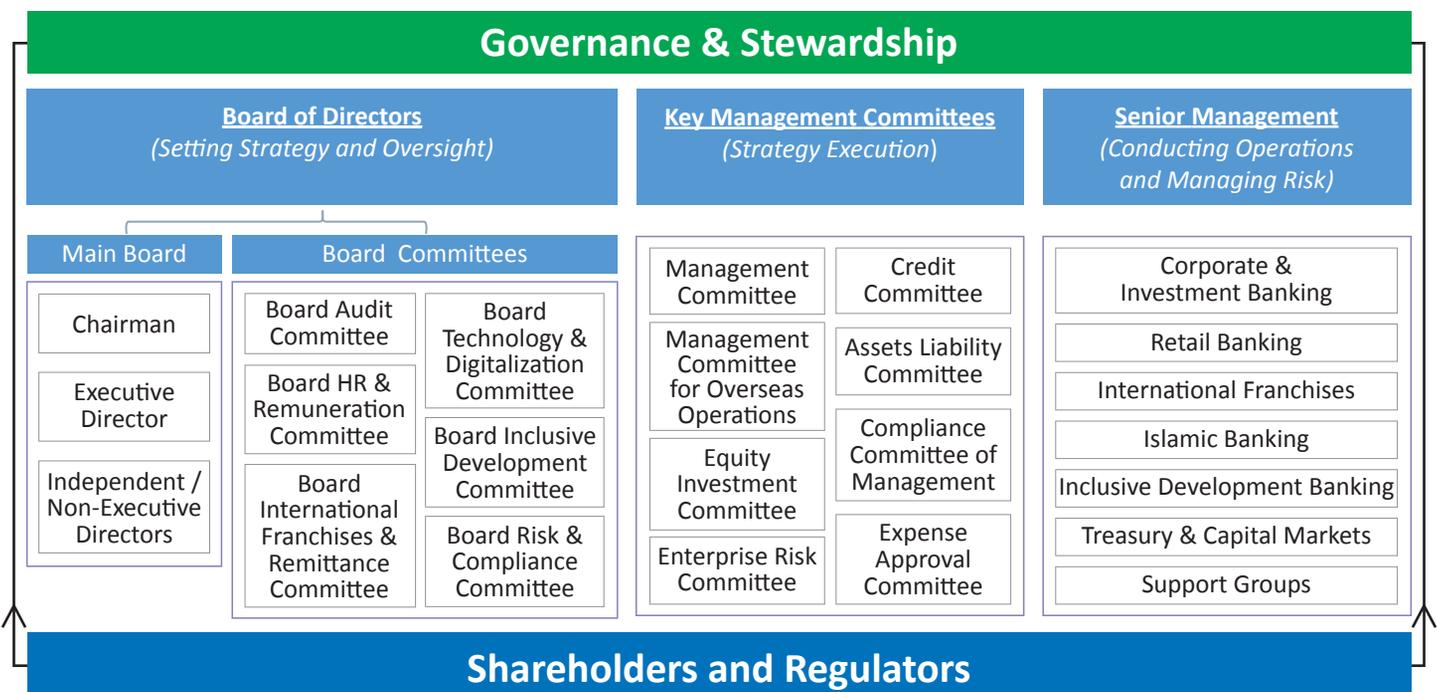
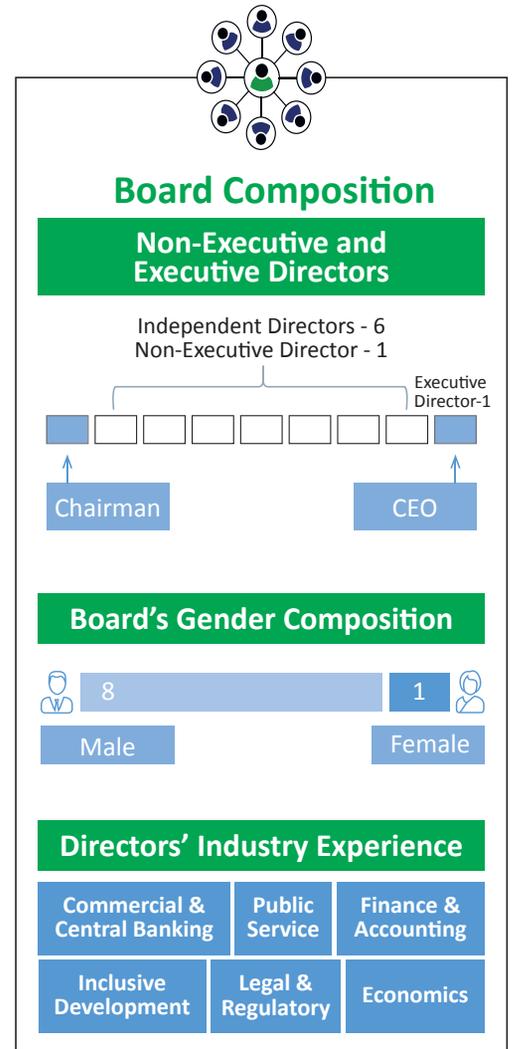


Corporate Governance

The Nation's Bank, being systemically important, plays a pivotal role for the economic growth across the Nation. The Bank's safety and soundness are key to financial stability, and therefore, the manner in which we conduct business is central to our National impact.

Our philosophy of Corporate Governance is to ensure safeguarding the stakeholders' interest on sustainable basis. Therefore, the Board of Directors remains committed to adoption of highest standards of corporate governance practices. While the Board of Directors is responsible for overall stewardship of the Bank with integrity and in compliance with all applicable laws and regulations, the CEO and senior management are responsible for efficient business operations by following the Board's approved plans & policies, and to place significant issues for the information, consideration and decision, as the case may be, of the Board or its Committees.

This was a year of changes in the Board. Our Board members are highly qualified professionals with vast relevant experience.



Profile of the Directors

Mr. Zubyr Soomro has been a career international banker with 33 years at Citibank and senior level assignments in the Middle East, Turkey, UK and Pakistan. In 1997, he was appointed as Chairman and President of United Bank and tasked with restructuring it for privatization after which he re-joined Citibank's Pakistan franchise as its Managing Director. He was awarded the Quaid-e-Azam Centenary Gold Medal by the State Bank of Pakistan in 2004 for leading reforms in the banking sector in his role as Chairman of the Pakistan Banks Association and his successful restructuring of United Bank. In recognition of this he was invited to speak by the World Bank in Washington D.C., the IMF in Egypt and the IFC in Bangladesh on the restructuring of public sector banks.

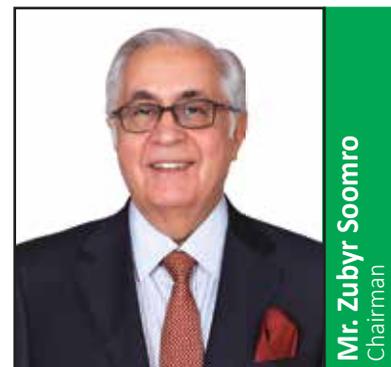
Over the last 20 years, Mr. Soomro, has also been actively involved in financial inclusion and poverty alleviation and was the Chairman of the Pakistan Microfinance Investment Company, the apex entity for the sector and majority owned by UK and German Government related entities. He has served on the boards of Pakistan Poverty Alleviation Fund, LUMS, the National Education Management Foundation, LRBT, Aitchison College, Acumen Pakistan, US based Grameen Foundation and the Indus Valley School of Arts & Architecture.

He has twice served on the Government's Economic Advisory Council (1997 – 1999 and 2013 – 2018), been a member of the board of the State Bank of Pakistan, and on the policy board of the Security & Exchange Commission of Pakistan, the board of the National Investment Trust, Chairman of the Board of the Karachi Stock Exchange, President of the Overseas Chamber of Commerce & Industry and President of the American Business Council.

Mr. Zubyr Soomro has a BSc Hons from the London School of Economics (LSE) and a Masters from the School of Oriental and African Studies (London University). He has also attended executive programs at the Harvard Business School and the Harvard Kennedy School. He received extensive formal training in key areas of commercial, investment and private banking within Pakistan and globally while at Citibank.

Other current directorships & offices include:

- Board Member, EFG Hermes, Cairo.
- Board Member of Sarmaya Pakistan, Chairman Nomination Committee.



Mr. Zubyr Soomro
Chairman

Mr. Arif Usmani was appointed by the Federal Government as the President and Chief Executive Officer of the Bank for a term of three years effective 12th of February, 2019.

Mr. Usmani started his career with Citi Pakistan in 1981 in the Corporate Banking Group and since then held a number of positions with the company. He has over 38 years of experience across several geographies and markets in various banking disciplines. From 1989 to 1994, he was on deputation from Citi with Saudi Arabia's second largest bank SAMBA in Riyadh within the Corporate Banking business. In 1994, Mr. Usmani relocated to the Asia Pacific region, where for five years he held a number of critical positions in different countries including Hong Kong and Singapore. Later, he moved as Citi Country Officer to Slovakia where he is credited with greatly developing the business before taking over as Country Head Citi Nigeria and Regional Head West Africa. The latter role involved management of the Citi Franchises in Nigeria, Cote d'Ivoire, Cameroon, Gabon, the Republic of Congo as well as Senegal. In 2003, Mr. Usmani moved back to Samba Financial Group as the Chief Risk Officer and in 2008 re-joined the Citi franchise in Pakistan as CEO.

In 2012 Mr. Usmani left Citi and was appointed as Group Head for Wholesale Banking at Abu Dhabi Islamic Bank in Abu Dhabi where he spent 5 years establishing the bank as a premier player in the corporate finance space. In 2017, Mr. Usmani joined Mashreq Bank in Dubai as Chief Risk Officer which was his last assignment before moving to NBP.

Mr. Usmani holds a First Class BSc (Hons) degree from Imperial College, University of London and is also an Associate of the Royal College of Science (ARCS).



Mr. Arif Usmani
President & Chief Executive Officer

Mr. Farid Malik has over two decades of diversified experience and has worked on a number of infrastructure development, project finance, corporate finance, capital markets, administrative and operational assignments both in Pakistan and abroad. He is a CFA charter-holder and a graduate of the London School of Economics.

Mr. Malik has worked with organizations including ABN AMRO Bank; Tomen Power (Singapore) Pte. Ltd; Securities and Exchange Commission of Pakistan; and the Lahore Stock Exchange. During his various assignments, he has had extensive exposure to green-field project based equity investments, limited recourse debt financing facilities, cross border project financing facilities including export credit agencies and multilateral lending agencies financing facilities, risk allocation & management techniques including hedging through derivative instruments, due diligence methodologies, portfolio management, equity and fixed income valuations, financial analysis, asset securitization and capital market operations and regulations.

He has served as the Chief Executive Officer/ Managing Director of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited) and has also served on the Board of Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited. He is a Certified Director from Pakistan Institute of Corporate Governance.

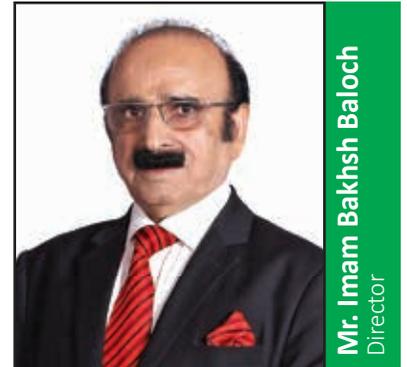
Mr. Malik has previously served on the Boards of the Privatization Commission; Gujranwala Electric Power Company Limited and Pakistan Credit Rating Agency Limited. He has also attended a large number of international and local management courses, seminars and workshops conducted by world renowned providers.



Mr. Farid Malik, CFA
 Director

Mr. Imam Bakhsh Baloch joined National Bank of Pakistan in 1974 after graduation from University of Balochistan, Quetta. He served NBP for 40 years in various capacities and remained posted in USA for 10 years. He served in Senior Management positions for 24 years in NBP. Received various awards during his service in National Bank of Pakistan. His last posting was as SEVP / Group Chief, Audit and Inspection in NBP Head Office. He served as Chairman Board Audit Committee, First Women Bank Ltd for 6 years. Mr. Imam was also on the Board of Security Leasing Corporation Ltd. for around 2 years. He also served as Caretaker Finance Minister Government of Balochistan from June 12, 2018 to August 18, 2018. Currently, he is also Member, Board of Directors of APNA Bank.

Mr. Imam has also obtained degree in Law from University Law College, Quetta in 1997. Passed Institute of Bankers of Pakistan Exam in 1988. He has qualified Professional Banking Examination of American Institute of Banker in 1985. Received various certificates in attending various courses in Banking.



Mr. Imam Bakhsh Baloch
 Director

Mr. Muhammad Naeem is a Chartered Accountant by profession. He got his college education from F.C. College and Hailey College of Commerce at Lahore. He did his MBA from IBA, Karachi in 1964. He became a Chartered Accountant in 1967 after serving articleship with A.F. Ferguson & Co at Karachi.

He qualified as a CPA from State of California (USA).

He has been executive committee member and President of Lahore Tax Bar Association.

He has been Council member and Vice President of Institute of Chartered Accountants of Pakistan.

He has served as Executive Committee member and Vice President of Lahore Chamber of Commerce & Industry.

He has also served as Honorary Treasurer of Pakistan Cricket Board and Asian Cricket Council.

Mr. Naeem has been a Director on the Board of Pakistan Stock Exchange Limited, National Refinery Limited and National Clearing Company of Pakistan Limited.



Mr. Muhammad Naeem
 Director

Mr. Muhammad Sohail Rajput, Additional Finance Secretary, Government of Pakistan, is a senior civil servant with expertise in financial management and project development and management. He has over 25 years of experience in Civil Service of Pakistan, which includes managing provincial government finances and handling diversified development projects.

Mr. Muhammad Sohail Rajput got MBBS degree in 1988 from Liaquat Medical College, Jamshoro, Post Graduate Diploma in Business Administration in 2004 from Institute of Business Administration, Karachi and MPA in Economics Policy Management with concentration in International Energy Management and Policy from Columbia University, New York. He was also awarded Hubert H. Humphrey fellowship by US Department of State, in recognition of his leadership skills, under which he attended academic courses at University of North Carolina, Chapel Hill and the Duke University and did an internship at the World Bank.

During his career in Civil Services of Pakistan he has received extensive training at Civil Service Academy, Lahore, National School of Public Policy, Lahore, University of Birmingham, England and Joint Vienna Institute, Vienna, Austria.

Mr. Rajput's core areas of expertise include Public Finance Management and Project Development and Management, particularly in Energy Sector. He has proven capacity to work in a challenging atmosphere with diversified stakeholders and against strict timelines. Mr. Rajput's key achievements include developing Thar Coal mining and power project, improving fiscal health of Government of Sindh through effective financial management and establishing a robust delivery and monitoring system at Chief Minister's Secretariat in Sindh.



Mr. Muhammad Sohail Rajput
Director

Ms. Sadaffe Abid is the Founder of CIRCLE Pakistan, a Karachi based social enterprise that works to improve women's economic rights in Pakistan. With CIRCLE, Sadaffe has launched several campaigns such as ElevatePak and Strong Women Strong Pakistan and Women in Business Chapters in several large cities. Her latest ventures include She Loves Tech, a global startup competition aimed at women's issues, as well as to teach technology skills to young women from low income families.

Before CIRCLE, she was one of the founding members and CEO of Kashf Foundation, one of Pakistan's largest micro-finance institutions. She also served BAKSH Foundation as its CEO. She worked as Consultant for Financial Inclusion and Gender & Leadership Development Expert. She is currently on the Board of the Deans Council, Harvard Kennedy School, Indus Earth and Pakistan Microfinance Network. She also served as a Consultant for IFC and Member Board Harvard UAE Club. She holds a bachelor's degree from Mount Holyoke College and a Master's degree from the Harvard Kennedy School, where she served as a teaching fellow for a course in Adaptive Leadership.

Ms. Sadaffe also received extensive education in Leadership, Circle Profile Coaching Certification, HKS Art & Practice of Leadership Development, HBS Strategic Leadership for Microfinance, HBS Strategic Perspectives in Non-Profit Management and INSEAD Social Entrepreneurship Program.



Ms. Sadaffe Abid
Director

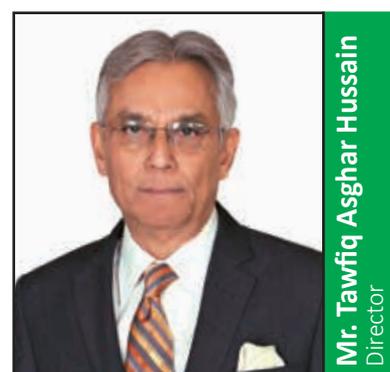
Mr. Tawfiq Asghar Hussain brings with him over 40 years of diverse & rich international experience in Commercial & Central Banking. He started his career in 1976 with American Express Bank (AEB) in Pakistan and was appointed its General Manager, Philippines in 1994. In late 1995, he became the first Pakistani Country Manager of AEB for Pakistan.

In September 2001, he was the first person from private sector to be appointed Deputy Governor, State Bank of Pakistan, & served two terms in that position. During his tenure in SBP, he led its capacity building in critical areas like Risk Management, Banking Supervision, Reserve Management etc., and participated in the banking sector reforms, banks' privatization program & market liberalization. As a nominee of SBP, he concurrently served on the boards of Security & Exchange Commission of Pakistan & Pakistan Security Printing Corporation.

Mr. Tawfiq Hussain returned to the private sector in 2008 and was appointed President & CEO, Samba Bank Ltd., Pakistan. Stabilized & turned it around into a liquid, strong & sustainably profitable bank, practicing highest standards of corporate governance & business ethics. Retired from the bank in September 2013.

Currently he is CEO of Pakistan Banks' Association (PBA). He has also served as the non-executive Chairman of Pakistan Institute of Corporate Governance, Director Pakistan Stock Exchange & Chairman of its Regulatory Affairs Committee.

Mr. Hussain is MBA from Institute of Business Administration, Karachi.



Mr. Tawfiq Asghar Hussain
Director

Mr. Zafar Masud, a banker and an entrepreneur, has served at top positions at international banks in Pakistan and abroad. Extensive experience of working at the Board of Directors level including State Bank of Pakistan, Monetary Policy Committee, Barclays Bank Southern Africa and National Bank of Pakistan.

Currently, working as a Consultant with Karandaz Pakistan (Section 42 Company funded by DFID of UK and Bill and Melinda Gates Foundation) on National Savings and setting-up of first of its kind credit enhancement facility for social infrastructure financing company in Pakistan being developed in alliance with international funds including Private Infrastructure Development Group ("PIDG")- an innovative infrastructure development and finance organisation funded by six governments and the IFC, led by United Kingdom's Department for International Development ("DfID"), GuarantCo and Cardano Development.



Mr. Zafar Masud
Director

Most recently, until August 2018, worked as Director General, National Savings, Ministry of Finance. A premier financial institution offering non-inflationary retail Government Securities with over 7Mn accounts & certificates and a portfolio of over US\$30Bn. Initiated the digitization of the organization to include internal systems digitization and various digital channels for the customers, including online banking and ATM Cards, to introduce ease of investment complementing a growing customer base from mid and bottom of the pyramid. Finalized the structure for the launch of much needed Shariah Compliant Product and Overseas Pakistanis Savings Certificates. Successfully included Persons with Disabilities and Shuhadah Families through the welfare products. The institution remains a formidable force for financial Inclusion and social security net in Pakistan and won two awards from international magazines (CFI in 2017 and International Finance in 2018) in this respect in both the years of his tenure.

Formerly, Member of the Board of Directors of the State Bank of Pakistan ("SBP"). Served as the Member on the most prestigious and coveted Constitutional Independent Monetary Policy Committee ("MPC") of the Government of Pakistan. Contribution on the Board, particularly in the areas of Publications, Monetary Policy, Foreign Remittances / Savings & Investments, Banking and Human Resources, was well recognized and praised. Was the Chairman of Publications Review Sub-Committee and Members of Human Resources and Investment Sub-Committees. Served as a Member of the Board of Directors and Chairman of HR Committee at Oil and Gas Development Company Limited ("OGDCL")

Member of the Board of Directors and Chairman of the Board Technology and Digitization Committee of National Bank of Pakistan ("NBP"), Member of the Board of Directors and Chairman of the HR Committee of Port Qasim Authority ("PQA"), Member Advisory Council, Ministry of Maritime Affairs, Member of the Board of Directors and Chairman of the Budget Committee of Gadoon Textile Mills Limited ("GTML"), Member of the Board of Directors of TAF Foundation and Member of the Board of Directors of Quaid-e-Azam Thermal Power (Pvt) Limited ("QATPL").

As Founding Partner of Burj Capital, involved in fund raising and encouraging investment from the local and international markets with specific focus on Sharia Compliant instruments to raise funding from the non-banking sources. Also, involved in successful corporate restructuring.

Formally, as the Regional Managing Director & CEO for Southern Africa, Barclays Bank plc, responsible for three countries and represented on the Board of Directors, with managing total balance sheet size of US\$3Bn and around 10,000 people. Converted a standard Commercial Bank into a premier Consumer & Investment Bank in the Region, and took the Corporate and Treasury business to another level in terms of product offering and income, particularly fee component. Made the bank earn the best possible ratings in all the internal and external audits. Won the awards of Best Bank in Zambia and in Botswana by Euromoney and The Bankers Magazine.

Prior to Africa, was responsible for establishing one of the prime global Islamic banking franchises - Dubai Islamic Bank- in Pakistan. Represented the local management to the senior officials in the head office and the Board of Directors along with the highest Government officials in the Country. Instrumental in attracting foreign strategic investors to Pakistan including \$100Mn in financial sector, \$375Mn for the second largest port expansion project, \$150Mn palm oil refinery project by one of the most rapidly expanding FMCG Company in MENA region as well as assisting the first-ever leading international cosmetic brand entry into the Country.

At Citibank, was member of the Country Management Committee and responsible for handling Government and Public Sector business. He was involved in all the major deals done by Citibank between 1999-2005, including US \$600Mn Government of Pakistan Inaugural Islamic Sukuk, US \$350Mn PIA-Exim Bank Deal, First-ever Derivative/ Interest Rate Swap with PARCO, Set-up first-ever US \$100Mn OPIC guaranteed/ financing facility for Pakistan, introducing/ rolling-out KESC and PSO Cash Management Solutions.

Joined American Express Bank Pakistan as Management Trainee. Appointed member of the Country Capital Markets Taskforce which successfully launched the capital market business in Pakistan. Successfully implemented special initiatives/ projects of bonding business (corresponding banking) and launched corporate business in the peripherals of Lahore city (Sialkot, Gujranwala, Gujrat, etc.), and executed KAPCO \$10Mn medium-term local currency syndicated working capital facility and WAPDA \$30Mn short-term financing facility. Part of "PIIC's list of Independent Directors.

Profile of the Shariah Board

Mufti Ehsan Waquar Ahmad

is the Chairman, Shariah Board at NBP-Aitemaad. Alhamdulillah, he is among the few scholars who possess a unique combination of religious and contemporary education. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Pakistan's renowned Islamic School, Jamiat-ur-Rasheed. Later he accomplished Masters in Economics from KU and Masters in Business Administration with majors in Finance from IoBM. He had also attained LLB Degree from S.M. College, Karachi. This unique blend of educational combination gives him an edge to understand, correlate and align modern day banking practices with Shariah principles.

Alhamdulillah, Mufti Ehsan has exclusively served Islamic Financial Industry and worked with institutions like World Bank-IFC, ABL, Soneri Bank, NAFA, Askari General Insurance Company Takaful Window (AGICO), Pakistan Mortgage Refinance Company (PMRC), Emirates Global Islamic Bank now Al Baraka Bank Pakistan, UBL, Yasaar Ltd- UAE & UK, Minhaj Advisory – UAE, Arif Habib for more than a decade now. He has structured several Sukuk including the largest Sukuk in Pakistan; a hundred billion Sukuk for Neelum Jhelum Hydro Power, Engro Polymers, Fatima Fertilizer, Fauji Fertilizer, Hubco and IBL. Previously he worked on Sitara Peroxide, Sitara Energy, Security Leasing Corporation Limited and National Industrial Parks in Pakistan. Currently, he runs his consulting as "ESAAC". ESAAC offers a complete turnkey solution for Islamic financial institutions, including banks, takaful companies, modarabas and other institution.

Mufti Ehsan had been a member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP) for several years. He has actively worked with SBP and was nominated to several sub-committees formed by the SBP Shariah Board for Islamic Banking matters in Pakistan. Mufti Ehsan conducts courses of Classical Jurisprudence, Islamic Finance and Risk Management at Traditional Islamic Universities (Jamia-tur-Rasheed) and Modern Business Schools (IoBM). He from time to time contributes in different international and local periodicals and appears as an industry expert on local TV channels.

Dr. Mufti Khalil Aazami

is the Shariah Board Member at NBP-Aitemaad. Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shaha dat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in 'Islamic Jurisprudence' from Karachi University. He is also serving as an Advisor/Shari'ah Board Member in different financial institutions including Bank-Alfalah, Faisal Bank, Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014).

Dr. Aazami has 21 years of research experience related to Islamic Finance and other Shari'ah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, – Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.

Mufti Muhammad Imran

Resident Shariah Board Member

Mufti Muhammad Imran, working with NBP since May 2016, is a qualified Shariah Scholar and experienced Islamic banker with knowledge of Islamic banking & finance. His educational qualification include Takhas-us-fil-Fiqh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies) and he has been associated with different Research, Fatwa and Educational Institutions since 2003 and has over 10 years of banking, Islamic Banking Trainings, Shariah Compliance, review & product development experience. His research includes:

- Qard & Dain me Farq
- Al Taeyseer fee Hukm-e-Al Tasweer
- Ahkam-ul-Zakah
- Asshya-e-sittah
- Shoroot-e-Ayemmah Khamsah
- Shoroot-e-Ayemmah Sittah

Functioning of Board Committees

The Board has six (06) committees, details of which are given below.

1. Board Audit Committee (BAC)

- 1) Name of the Chairman of the Committee: Mr. Muhammad Naeem, Chairman BAC.
- 2) Number of meetings held during the year 2019: 10

BAC Members and their attendance in 2019

	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Muhammad Naeem	Chairman	10 out of 10	Independent Director
Mr. Muhammad Sohail Rajput	Member (since 17.04.2019)	06 out of 07	Non-Executive Director
Mr. Tawfiq A. Hussain	Member (since 17.04.2019)	07 out of 07	Independent Director
Mr. A. Akbar Sharifzada	Member (Retired on 17.04.2019)	03 out of 03	Non-Executive Director
Mr. Muhammad Imran Malik	Member (Retired on 17.04.2019)	03 out of 03	Independent Director

3) Performance and Major Achievements of the Committee for the Year 2019

The Board Audit Committee ensured the existence of an independent internal audit function in the Bank with adequate resources and staffing. The Committee reviewed the progress of the approved annual internal audit plan 2019 on a quarterly basis, reviewed and approved the updated / revised internal audit manual, A&IG & BAC Charters and Audit Policy during the year 2019.

The Committee ensures effective coordination between internal and external auditors, recommends the appointment of external auditors, reviewed the external audit plan for 2019, discussed the financial results with the

external auditors, including significant issues of the audit and giving direction to management for its resolution. The Committee reviewed and recommended the quarterly financial results to the Board of Directors for approval.

The Committee maintained an effective working relationship with the Board and the Bank's management. The Committee reviewed, discussed and monitored the matters related to improvement in internal audit, compliance issues, financial reporting and corporate governance. The Committee also reviewed the effectiveness of the internal controls of the Bank which need improvement and recommended various steps for strengthening the internal controls and compliance culture within the Bank on an ongoing basis.

2. Board HR & Remuneration Committee (BHRRC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Zubyr Soomro	Chairman	9 out of 9	Chairman
Mr. Arif Usmani	Member	10 out of 10	President / CEO
Mr. Zafar Masud	Member	9 out of 9	Independent Director
Mr. Farid Malik	Member	3 out of 3	Independent Director

No. of meetings held during the year: 11

ToRs of the Committee include the following:

- i) Review and recommend human resource policies for the approval of the Board of Directors.
- ii) Review and recommend the Bank's Remuneration Policy and remuneration setting mechanism at least once every two years.
- iii) Recommend to the Board of Directors matters pertaining to recruitments, appointments, transfers, promotions, termination and disciplinary issues of SEVPs & EVPs (President's Direct Reports), Audit Chief, Secretary (BoD) and the Chief Financial Officer (CFO).
- iv) Recommend to the Board of Directors remuneration, compensation, increment, performance bonuses and perquisites of the CEO/President, Audit Chief, Secretary (BoD), CFO and all positions reporting to the CEO/President.
- v) Review and guide management on industrial relations issues.
- vi) Review the appropriateness of and recommendations for organizational restructuring as and when deemed necessary.
- vii) Review and recommend policy changes in Pension Benefits.
- viii) Review training policies and give guidelines for the overall improvement in training activities and suggest improvement in training methodology and identify areas of training relevant to the needs of the organization.
- ix) To review and recommend appointments to the Boards of NBP subsidiaries, affiliates and other institutions where NBP Boards' representation is required.
- x) Review diversity & inclusion strategy.
- xi) Review succession planning of key executives and KPIs.
- xii) Seek independent external advice / expert opinion whenever required.
- xiii) Perform any other function consistent with these ToRs, applicable laws including Code of Corporate Governance and the Bank's By-laws as deemed necessary.

3. Board Risk & Compliance Committee (BRCC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	4 out of 4	Independent Director
Mr. Arif Usmani	Member	4 out of 4	President / CEO
Mr. Muhammad Naeem	Member	5 out of 5	Independent Director
Mr. Farid Malik	Member	4 out of 5	Independent Director
Mr. Imam Bakhsh Baloch	Member	4 out of 4	Independent Director

No. of meetings held during the year: 5

ToRs of the Committee include the following:

A. Role of the Committee with Respect to Risk Management:

- i) Recommend the Risk Management Group Policies for approval by the BoD.
- ii) Review the Risk Management Policy on a periodic basis to ensure that it remains updated with regards to changes in the Risk Management activities of the Bank as and when they are implemented.
- iii) Oversee that the Bank has appropriate systems, tools, techniques, methodologies and controls to measure (as far as possible), to monitor and manage all significant risks embedded in the Bank's books.
- iv) Review and recommend to the Board the Bank's overall Risk Appetite and associated limits / concentration in respect of credit, market, liquidity and operational risks.
- v) Periodically review Risk Management strategies developed and recommended by RMG / ERM and propose it to the Board for approval.
- vi) Monitor the impact of significant risk issues on the Bank's strategy and monitoring alignment of the strategy, appetite, business plans, budgets and policies etc. to address the existing or potential risks.
- vii) Recommendation / ratification of tolerable deviations to the portfolio risk limits and the risk management policies as recommended by ERM / any other competent authorities.
- viii) Monitor the Bank's progress towards Basel-related implementation as per SBP / regulatory guidelines / directives and review the acquisition of Risk Management Systems duly recommended by the management.

- ix) Formulate an overall view of the adequacy of the Bank's capital with a prudent risk management perspective ensuring that overall risk exposure stays at adequate levels and consistent with available / planned capital.
- x) Review the performance of the Risk Management Group.
- xi) Review various exception and MIS reports prepared by RMG.
- xii) Review TORs for functions and committees responsible for credit, market, liquidity and operational Risk Management and establishing minimum risk reporting criteria.
- xiii) Monitor that the resources allocated for risk management are adequate given the size, nature and volume of the business.
- xiv) Ensure that the Committee members participate in the orientation and training program to educate and enhance the knowledge of new / existing members on their areas of responsibilities and ensure participation of members in continuing professional development programs / workshops to enhance Committee members' understanding of relevant areas.
- xv) Review FI Placements Limits on a regular basis.
- x) Ensure that the Group Chief/Head of Compliance Group has the appropriate stature, authority, resources (physical, financial and human) and support to fulfill the duties, is sufficiently independent of line departments, and has the capacity to offer objective opinions and advice to Senior Management and the Board on matters of Compliance Risk.
- xi) Engage with Group Chief / Head of Compliance Group on a half-yearly basis to provide him the opportunity to discuss issues faced by the Compliance framework in implementation of Board-approved Compliance Program.
- xii) Review the minutes of the Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing Compliance Risk.
- xiii) Review the progress in implementing remedial actions taken with respect to instances or non-compliance or control weakness, as identified by the Compliance Framework through its regular compliance reviews and / or various other sources.
- xiv) Satisfy itself of receiving accurate as well as comprehensive information required to perform compliance risk oversight responsibilities, including seeking assurances from Senior Management that the Compliance Risk controls have been implemented and are working effectively.

B. Role of the Committee with Respect to Compliance:

- i) Review and recommend for approval to the BoD Compliance Risk Strategy (as part of the Bank's overall risk strategy) and allied policies of the Compliance Group and oversee its implementation across the entity in letter and spirit.
- ii) Ensure the establishment of a robust Compliance Framework compatible with the Bank's overall Risk Management Strategy, risk profile and complexity of operations, with the required authority, independence, financial resources and quality human resources.
- iii) Review and recommend for approval to the BoD an end-to-end compliance Program that promotes and supports Compliance Risk Management across the organization, at every hierarchy level of the NBP.
- iv) Maintain and promote a high compliance culture and values of honesty and integrity in NBP.
- v) Discuss compliance issues regularly, ensuring that adequate time and priority is provided in the agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously.
- vi) Evaluate the effectiveness of NBP's overall management of compliance risk, at least annually; keeping in view the regulatory observations in on-site examinations, regulatory enforcement actions, internal assessments / feedback from internal audit, compliance reviews, as well as interactions with the Group Chief / Head of Compliance Group.
- vii) On the advice of the President, recommend approval to the BoD for the appointment of Group Chief / Head of Compliance Group with sufficient experience, expertise, skills and qualifications to perform Group Chief/Head of Compliance Group's functions in an effective manner.
- viii) Recommend to the BoD any disciplinary action or termination of the Group Chief/Head of Compliance Group.
- ix) Ensure that the position of the Group Chief/Head of Compliance Group does not remain vacant for more than 60 days.

In Addition to the above, the Role of the Committee also include:

- i) Discussing the Compliance Risk faced by the overseas branches and their mitigation plans and report to the BoD on a half-yearly basis.
- ii) Reviewing and discussing any material incidents of Non-Compliance.
- iii) SBP / Regulatory Inspection Reports and Compliance status thereon.
- iv) Quarterly reviews of KYC/AML/Sanctions Compliance-related risk factors.
- v) Reviewing Currency Transaction Reports (CTR) submitted to the Financial Monitoring Unit.
- vi) Reviewing Suspicious Transactions Reports (STR) submitted to the Financial Monitoring Unit.
- vii) Updated status on staff trainings on AML/KYC/Sanctions Compliance.
- viii) Quarterly review of status of Bank's Policies.
- ix) Monitoring of FATCA and CRS Implementation and Due Diligence Milestones.
- x) Review Compliance status of the Regulatory Inspection Reports of overseas branches (as and when received).
- xi) Quarterly review of penalties imposed on the overseas branches.
- xii) Discussing any other significant regulatory gap or development related to the NBP overseas branch network, which is escalated to the Committee.

4. Board Inclusive Development Committee (BIDC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Ms. Sadaffe Abid	Chairman	5 out of 5	Independent Director
Mr. Arif Usmani	Member	4 out of 5	President / CEO
Mr. Muhammad Sohail Rajput	Member	5 out of 5	Non-Executive Director
Mr. Imam Bakhsh Baloch	Member	5 out of 5	Independent Director

No. of meetings held during the year: 5

ToRs of the Committee include the following:

- i) Advise and report to the NBP Board on the status of development finance activities and initiatives in the Bank.
- ii) Review and recommend Development Finance Strategy and relevant policies for the Bank in the sectors related to low cost housing, SME, agriculture, livestock and fisheries, financial inclusion and women's empowerment, education financing, etc. before submission to the NBP Board.
- iii) For the SME Sector, evaluate and recommend policies to promote Value Chain Financing leveraging existing and new corporate relationships.
- iv) For financial inclusion, plan how to equip NBP to understand and grow lending to the microfinance banks and institutions, including tapping funding routed through the State Bank and multilateral agencies.
- v) Review and monitor progress on the above initiatives and recommend policy changes needed to enable growth in underserved segments in alignment with the Bank's vision and strategic goals and the country's overall needs.
- ii) Review and ensure that necessary capacity and resources are available to deliver the Development Finance mandate of the Bank, including organizational structuring necessary to promote NBP as a leader in the relevant segments.
- iii) Receive periodic updates from the Bank staff to monitor all Development Finance related projects approved by the NBP Board.
- iv) Review the Bank's CSR strategy and align it with the Financial Inclusion and Development Finance mandate. Receive periodic updates on the CSR activities.
- v) Determine and advise on what research may be needed to direct the Bank's approaches most effectively and what means we should deploy to monitor progress thereof.
- vi) Study Micro, Small and Medium Enterprise strategies that have been successfully implemented by network banks in other markets including through specialized vehicles such as leasing and factoring.
- vii) To work with the Government of Pakistan and SBP to promote low cost housing and reduce impediments.
- viii) Evaluate and review the existing agriculture financing structure and "Farm-to-Fork" financing.
- ix) To explore financial intermediate in underserved areas including healthcare.
- x) If deemed necessary, the Committee may seek expert opinion from independent sources.

5. Board Technology & Digitalization Committee (BTDC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Zafar Masud	Chairman	8 out of 8	Independent Director
Mr. Arif Usmani	Member	8 out of 9	President / CEO
Mr. Farid Malik	Member	10 out of 10	Independent Director
Ms. Sadaffe Abid	Member	7 out of 8	Independent Director

No. of meetings held during the year: 10

ToR of the Committee include the following:

- i) Advise and report to the NBP Board on the status of technology activities and digital initiatives in the Bank.
- ii) Review and support the overall needs of businesses and the resources available to meet these needs as and when requested by the Management.
- iii) Review and recommend IT and Digital strategies and relevant policies before submission to the NBP Board.
- iv) Review and monitor the ability of the Bank to effectively respond to wide-scale disruptions, including cyber-attacks and attacks on multiple critical infrastructure sectors, etc.
- v) Review & monitor Technology Policies and plans such as Strategic Technology Implementation Plan, DR Plan, Cyber Security Implementation Plan, etc.
- vi) Receive periodic updates from Technology & Digitalisation Group and the relevant business groups to monitor all technology-related projects approved by the Board.
- vii) Ensure that technology procurements are aligned with the IT & Digitalization strategy approved by the Board.
- viii) Approve Terms of Reference or any change in the constitution of the IT Steering Committee.

6. Board International Franchises & Remittance Committee (BIFRC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Arif Usmani	Chairman	2 out of 2	President / CEO
Mr. Zafar Masud	Member	2 out of 2	Independent Director
Mr. Tawfiq A. Hussain	Member	2 out of 2	Independent Director

No. of meetings held during the year: 2

ToRs of the Committee include the following:

- i. Addressing concerns and ensuring compliance with all applicable laws and regulatory instructions of the respective host jurisdictions of all international offices.
- ii. Periodically reviewing, monitoring and placing for the BoD the jurisdiction-wise Board-approved strategic plan with well-defined and measurable deliverables.
- iii. Overseeing and regularly evaluating the financial and operational performance of overseas subsidiary, joint venture operations, and that of overall overseas branch operations. Conducting a thorough variance analysis for subsidiaries, JV and / or branches / jurisdictions.
- iv. Providing strategic guidance on expansion or reduction of operations in any jurisdiction and ensuring that such overseas operations are in line with the Bank's overall business model & strategic plan.
- v. Reviewing the detailed "Report" submitted by the Bank's Management on the financial and operational performance of Bank's overseas operations in each jurisdiction on a periodic basis (preferably twice a year).
- vi. Reviewing the minutes to remain aware of the issues being faced by overseas subsidiaries as well as evaluating the performance of the overseas subsidiaries' board and taking necessary actions/decisions to address deficiencies.
- vii. Ensuring that comprehensive policies, procedural manuals / SOPs, competent staff and proper system support are put in place in all critical areas of operations in such jurisdictions including i) Risk Management, ii) Credit approval, Documentation & Disbursements, iii) Investments, iv) Internal Controls, v) IT Security, vi) AML & CFT, vii) Internal Audit, viii) Compliance, and ix) Human Resources.
- viii. Ensuring that a proper Human Resource Rotation Policy is developed and implemented in letter and spirit on employees posted at overseas branches / jurisdictions at all hierarchal levels.
- ix. Reviewing a cost benefit analysis of overseas Representative Offices on a periodic basis and shall consider closing those offices that do not provide any net financial benefit to the Bank. In cases where the Bank wants to continue those offices despite the fact that they do not provide any net financial benefit to Bank, proper reasons & justifications will be recorded for such a decision at Board level.
- x. Periodically reviewing; 1) major litigations of overseas operations, 2) host regulator inspection reports and resolution of outstanding critical issues, 3) conflicts of interest (if any) in organizational structure of overseas operations and their removal.
- xi. Reviewing the Bank's performance on Home Remittances vs Industry.
- xii. Reviewing Technology Improvement for Home Remittances.
- xiii. Reviewing a strategic expansion plan which includes deployment of resources in key target markets. Resources may include human resources, physical as well as digital infrastructure.
- xiv. Reviewing of plan for revamping, revisiting overseas branches and opening of new specialized branches wherever necessary.

Role of the Board of Directors

Good governance is pivotal in helping the business deliver its strategies whilst generating sustainable shareholder value and balancing competing demands of other stakeholders. It revolves around the basic principles of fairness, integrity, transparency and accountability with a prime focus on the role and composition of the Board of Directors.

The Board has an overall responsibility for formulating policies towards the management of business and affairs of the Bank, the establishment of the Bank's strategy, and is accountable to shareholders for financial and operational performance. The Board considers strategic issues and ensures the Bank manages risks effectively through approving and monitoring the Bank's risk appetite, considering Bank's stress scenarios and agreed mitigant and identifying longer term strategic threats to the Bank's business operations. The Board's Terms of Reference include key aspects of the Bank's affairs reserved for the Board's decision and are reviewed at least annually. There are a number of areas where the Board has delegated specific responsibilities to its Committees and management, including the Chief Executive Officer. These include the responsibility for the operational management of the Bank's businesses as well as reviewing high level strategic issues and considering risk policies and risk management strategies which are in advance being considered by the Board and/or its Committees. Specific delegated authorities are also in place in relation to business commitments

across the Groups. The Chairman leads the Board and ensures the effective engagement and contribution of all executive and non-executive Directors. The Chief Executive has a responsibility for all Group businesses and acts in accordance with authority delegated by the Board. The non-executive directors combine broad business and commercial experience with independent and objective judgement.

The Chairman is responsible for the leadership of the Board and to ensure that the Board plays an effective role in fulfilling its responsibilities. The Chairman also ensures that:

- The Bank's strategies and policies are aligned with its vision & mission and steer the Bank in the right direction towards achieving its long-term strategic goals and objectives.
- The overall Board, its individual Members and its Committees, discharge their roles efficiently & effectively in line with regulatory requirements.
- Individual members of the Board participate in its meetings and have the opportunity to express his/her opinion.
- Minutes of the meeting truly reflect what transpired during the meeting and dissent of Directors, if any, is properly recorded in the minutes.

Performance Evaluation of the Board of Directors

The Board of Directors is keen to ensure the effectiveness of its performance which is evaluated periodically. In terms of the SBP Guidelines on Performance Evaluation of the Board of Directors, the Board has put in place a formal mechanism for performance evaluation of the overall Board and its Committees. Performance evaluation of the Board and its Committees is carried out every year under a third-party approach. The Board had appointed M/s. KPMG Taseer Hadi & Co. as an independent external consultant to carry out the evaluation.

The consultants conduct an independent performance evaluation of the Board and its Committees to encourage better efficacy of the Board performance and compliance with statutory requirements. Their approach towards performance evaluation included a review of the minutes, agenda and terms of

reference, perception surveys and structured interviews with the senior management and those charged with the Governance. Their report includes an assessment of the Board meeting and interviews conducted with the Directors, the role of the Board, the composition of the Board and its Committees and skills and experience of individual Directors.

Subsequent to carrying-out the performance evaluation, the issues identified, weaknesses and challenges are addressed adequately through a proper action plan. The Chairman and/or the concerned Board Committees, as the case may be, formulate their respective strategies and action plans to address the identified challenges/issues and submit to the Board for consideration in its meeting.

Responsibilities of the Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Chairman's Review

Dear Shareholders,

I am pleased to have this opportunity to update you on the progress of your Bank in 2019 that was its 70th year of service to the Nation.

A New Leadership Team and Board

An experienced and skilled President was appointed in February 2019 and thereafter a new Board of Directors which had its first meeting in May. The Board members are

In 2019, the Nation's Bank has delivered a good financial performance, despite a challenging economic environment and a highly competitive market.

Throughout the year, the Board has focused on building our standards of governance, inculcating a compliance & control culture across all levels of the organization and strengthening our balance sheet.

qualified professionals with relevant experience and there is a preponderance of independents on the board. In compliance with applicable regulatory frameworks, the Board has sought to develop and operate at high standards of corporate governance.

National Bank's business and role has evolved primarily as an institution serving the government, government entities and their employees. This has afforded the institution an advantage in the handling of their banking requirements. However, it has also resulted in a corporate culture that is public sector based. Your Board has determined that in today's highly competitive environment, employee progression driven by performance is essential as is the need to ensure accountability across the institution. To this end we have focused on strengthening Human Resources through the hiring of talent and expertise at the leadership and second tier levels. Already this team has prepared policies on several key areas including recruitment, promotions, employee discipline and performance management.

In addition, we have invested in a new Head of Technology to help build a platform for growth, enable effective AML/KYC screening and provide timely and accurate data. Much of National Bank's operations continue to be manual and with a large domestic network of over 1530 branches and full time employees exceeding 15,000, this has held back progress and the enforcement of effective controls.

The Legal department at the Bank has also been reinforced through the induction of an experienced professional who can assist in addressing the multiple suits in which the institution is engaged many of which involve the Bank's own staff. National Bank's statutory status and outdated service rules have facilitated the filing of whimsical suits by employees in the High Courts and management preoccupation in defending these and related contempt of court notices

as opposed to the development of its wider range of businesses.

Our international franchise stretching across 19 countries from the US all the way across to Japan has also suffered from a lack of strategic direction and standards that typically fall below what is demanded today. Our new Head of International and your Board have already decided on the closure of about one third of these operations with another one third targeted for review within 2020 as to continued presence. The risks inherent in managing these overseas businesses are generally seen to outweigh their positive contribution. Where we propose to arrive at is an integrated strategic network that serves our diaspora as well as trade and investment flows linked to Pakistan.

A Difficult Economic Environment

2019 has been dominated by the corrective action plans initiated to address Pakistan's long-standing structural deficits. The consequent impact of high interest rates on our portfolio has necessitated active remedial management, as well as significant provisioning. Our financial results, while they show only a modest increase of about 3% in earnings, demonstrate our resilience and ability to build necessary cushions. Aside from provisions of around PKR 14.2 billion relating to our portfolio and multiple outstanding issues, we have also set aside funds for other contingencies amounting to PKR 7.3 billion. These measures to create PKR 21.5 billion of effective "reserves" are in addition to our full retention of net income generated amounting to PKR 16 billion. Thus, in total we have buttressed our capital position by an effective PKR 37.5 billion.

These actions may not be appreciated by our shareholders in the short-term, but are necessary to protect and sustain our institution. In essence we see both 2019 as well as the current year as a time to strengthen our balance sheet and equip us

to build to compete. While the threat of an adverse decision in the pensions case remains, we will start to create provisions as required and have meanwhile materially reinforced our capital base through the above measures.

Looking Ahead

Banking systems globally are threatened by the emergence of less regulated non-bank institutions and innovative fintechs that can lure away lucrative processing business flows. To counter these threats National Bank has to evolve beyond its traditional focal point of government business. Your Board has thus, promoted attention towards the key underserved sectors in our economy. These will not only widen and deepen our role as the Nation's bank but also enable us to develop niches that are currently effectively untapped. To this end the Board has set up a committee on Inclusive Development and assigned its leadership to a Board member with specific expertise in Financial Inclusion and Gender. These areas along with SME that remains a neglected segment, and agricultural finance where we are already market leaders but where the scope for growth is considerable, will be given priority. In addition, we will target wholesale finance for the microfinance sector and housing finance for low-income groups. A separate business group for this entire sector has already been established and resources allocated. Our other businesses in Islamic Banking, Corporate and Investment Banking and Retail Banking, will of course continue to be fully supported, but for 2020 the emphasis will be on implementing high standards for controls.

Our Key Partners

As we work on strengthening our franchise, we would like to express our appreciation to our key partners, the foremost of which is the Government of Pakistan through the State Bank of Pakistan, which is our major shareholder with 75.5% of shares issued. As

we look to enhance the corporate culture of our institution, the government's role in facilitating this effort is critical. We also have substantial exposure to the public sector enterprises and will continue to need strong support in dealing with this poorly performing segment. To our regulators both in Pakistan and around the world, we send the message that we will give priority to building our standards of governance across the range of our markets and activities, so they fully meet your expectations.

To our staff, at all levels, we commit ourselves to doing what is right and to requiring the same of them. Our legacy of problems will take time to address but we have set our directions and declared our standards. We look to be fair, transparent in our actions and to operate on the basis of merit only.

To my fellow Board members, I express heartfelt thanks for their untiring efforts and patience and their steadfastness in reinforcing the foundations of this institution that undoubtedly has great potential.

Zubyr Soomro

Chairman

Date: February 28, 2020
Karachi

CEO Review

I am pleased to present a summary of the Management’s efforts and the financial performance of the Nation’s Bank for 2019. Since my appointment as CEO in February 2019, the endeavours of my team and I have been focused on regaining the trust and confidence of our Shareholders, Regulators, Customers, Employees, and the General Public.

I was ‘honoured and delighted’ to have been given the opportunity to lead this iconic National Institution. The word DELIGHTED became an acronym for a vast majority of our institutional challenges which are: “Data, Enterprise Risk, Legal, International, Governance, Human Resources, Technology, Expense Management and Digitalization”.

A critical first step for a comprehensive response to the challenges was to ensure that our organization was structurally balanced and well aligned. The changes implemented are based on sound globally accepted principles and best practices and we are confident that these are right for the National Bank of Pakistan.

The Management has put into place an action plan to combat long-standing issues such as weak internal controls, data cleansing, financial reconciliation, inconsistent human resource policies and fraud. Over the years, inaction against structural and operational lapses has weakened the franchise and resulted in both financial and reputational losses. Today, as a Management Team, we are determined to fix these come what may!

Some of the key changes and initiatives include the following:

- Separating and redefining reporting lines between Business, Operations, Risk Management, Compliance and Audit to strengthen the governance framework
- Setting up a Centralized Operations and Administration function
- Forming a specialised Human Resource function with defined business partners
- Creating a new Customer Coverage Model for Corporate, Commercial, SME and Retail with sectoral specialization including a new business group (Inclusive Development Group) which is focused on an invigorated response to our re-stated Vision Statement
- Responding to the significant technology and digital banking challenges by creating synergies in order to ensure the latter gets the support it needs at this stage of its evolution within the company
- Setting up three task forces to address specific challenges of capital adequacy, non-performing assets and timely responses to regulatory concerns

We formally requested our people to share ideas via an open email forum called ‘If-I-were-CEO’. Their input has helped us understand issues better and make more informed decisions.

There is also an on-going Deep-Reach talent-hunt program designed to find exceptional in-house resources and place them in challenging growth assignments.

We believe that NBP can only thrive through the effective participation and the hard work of its employees.

We are inspired by our new Vision and IMAGINE contributing to a prosperous Pakistan. Inshallah, together we will deliver a ‘Naya NBP’.

Operating Environment

Global: Growth decelerated in 2019 with the slowdown in global trade and investment that impacted developed countries and less developed countries both. Global tensions, trade uncertainty and emerging market stresses weighed heavily on overall global activity, affecting manufacturing and trade.

Domestic: Economic activity in Pakistan decelerated in response to the various structural adjustments by the Government and the State Bank of Pakistan, to address the economic crisis facing the country with the twin deficits. Having posted average growth at 4.7% during FY14-18, GDP growth decelerated to 3.3% in FY19.

The economic adjustment program is now on track with the implementation of several painful but necessary policy measures: the swift transition to a market-determined exchange rate allowed the Rupee to find its new equilibrium (cumulative depreciation of 33.6% for FY19), ambitious revenue-led fiscal measures taken in the Budget FY20, utilities’ tariff adjustments, and the sharp policy rate increase of 750 bps since Jan ’18.

Total Assets

PKR 3.1
Trillion

+11.6%

Deposits

PKR 2.2
Trillion

+9.3%

PAT

PKR 15.8
Billion

-21.0%

Advances

PKR 1.1
Trillion

+8.7%

Total Revenue

PKR 108.1
Billion

+11.5%

Net Assets

PKR 232.6
Billion

+12.4%

So far, stabilisation measures appear to have addressed the macroeconomic imbalances and are steering the economy towards stability. The State Bank of Pakistan has paused its interest rate hike cycle by keeping the policy rate at 13.25% since July'19 and the stock market responded positively, with confidence gradually returning. The KSE-100 index rose 16% from July'19 to date.

The pass-through effect of the painful PKR depreciation, higher oil prices and the revised CPI basket led to headline inflation aggressively reaching 14.5% in Jan'20. Demand contraction was witnessed and as a result, private consumption growth decelerated from 6.8% in FY18 to 4.1% in FY19, while investment contracted by 8.9%. On the supply side, industrial sector growth slowed to 1.4% in FY19 compared to 4.9% in FY18.

The stabilisation measures are bearing fruit and there is a marked improvement in the external position. The current account deficit declined and is USD 13.8Bn (4.8% of GDP) FY19 as compared to USD 19.9Bn (6.3% of GDP) FY18. Key indicators reflect an improvement: foreign investment on both fronts has increased appreciably. Foreign private investment has risen to USD 1.6Bn Jul-Jan FY20(P) vs USD 0.5Bn FY19(P). With the large differential in the real interest rate, foreign portfolio investment in Sovereign debt is now USD 1.8Bn Jul-Jan FY20(P) vs USD 0.1mn Jul-Jun FY19(P). The Pak Rupee has appreciated 4.7% in the last seven months from PKR 162.01 end-June'19 to PKR 154.4 (end-Jan'20). Exports are recovering, up 4.8% to PKR 15Bn HYFY20, driven by a robust 17% growth in food exports. Tax collection, now PKR 2trn HYFY20 vs PKR 1.8trn HYFY19, witnessed an 11% increase. On the expenditure side, non-interest current expenditure has been curtailed, while public sector development programs received a 62% higher allocation, PKR 300Bn HYFY20 as compared to PKR 185Bn. The higher spending is expected to boost the construction, steel and materials sectors that have a trickle-down effect on the rest of the economy.

Approval of the IMF Extended Fund Facility coupled with the resumption of multilateral budget support contributed to an increase in the country's foreign exchange reserves. Pakistan's reserves have been consistently improving during the latter half of the year from a low of USD 7.3Bn in June'19 to USD 11.3Bn in Dec'19. The gradual accumulation of reserves has reduced pressure on the exchange rate and is gradually boosting investor confidence in the economy.

Despite generally difficult economic conditions, the banking industry remained fairly stable, despite a slowdown in deposit growth and lower credit demand by large scale industries. Given the subdued credit demand in a high inflation and policy rate environment, sector ADR (Advances to Deposit ratio) dropped from its peak of 59.8% as of Dec'18 to 55.8% as of Dec'19. Also, gross advances that peaked at 45.2% of total assets in March'19 dropped to 40% by Dec'19. NPLs (Non-Performing Loans), which had remained relatively stationary during the period 2014-2017, grew by 15% in 2018 and 12% in 2019. Gross non-performing loans (NPLs) increased to 9% of industry total loans, up from 8% at end-December 2018. However, the bulk of NPLs are provisioned (81.4% at end-December). Going forward, the NPL ratio may reach double digits. At end-September, capital adequacy ratios (CAR) improved, with average CAR moving to 17.1% from 16.2% at end-December 2018.

The SBP expects GDP growth to decelerate to 2.4% in FY20 due to continuing tighter fiscal and monetary policies. Growth is expected to recover gradually to 3.0% in FY21 as external demand picks up, macroeconomic conditions improve, and the package of structural reforms in fiscal management and competitiveness take effect.

NBP through the Year-2019

Despite structural organizational changes, our people remained focused on delivering the year's agreed strategic objectives which were:

- Diversify our product range and target market in both conventional and Islamic banking
- Expand customer outreach through both conventional and digital platforms
- Automate and Digitize our business processes as much as possible
- Reduce NPLs through recoveries and rehabilitation of classified loans
- Invest in people.

The Bank continues to make efforts to improve its technology infrastructure which will continue to require significant investment in the foreseeable future. We have added new branches to our domestic network, taking the total to 1509 branches, including our Islamic banking network of over 190 branches. The Bank also has an ATM universe of 1350+ ATMs installed throughout the country

We launched new products and also repackaged some existing products to

better align with customer requirements. NBP Aitemaad Islamic Banking entered the digital age by introducing EMV Debit Card wherein customers can perform cash withdrawal and balance inquiry via ATM in a secured manner. NBP made considerable gains in the 'non-resident Pakistanis' incoming remittance business in the year 2019 with a 20% growth in USD volumes and 28% growth in the number of transactions, compared to 2018. Domestically, NBP is actively working to diversify and extend its remittance distribution network to further facilitate remittance customers.

NBP is one of the top three Primary Dealers (PD) for Government Securities in the country. This bears testament to our expertise in meeting PD targets, active market making and dynamic contribution in price discovery of fixed income securities and meeting the expectations and investment needs of our diverse clientele.

NBP places special emphasis on agriculture and currently it is the largest commercial bank for agriculture financing. This year we also won the 'Award for Best Bank for Agriculture in Pakistan – 2019' organized by the Institute of Bankers, Pakistan. NBP considers broad-based engagement in 'priority sectors from a developmental point of view' as one of its defining responsibilities. This is why we have created a dedicated business group to work on all such initiatives in a coordinated manner.

Given our greater focus on customer service quality, the ratio of customer complaints during the year was reduced because NBP maintained a healthy uptime of ATMs which has been appreciated by the regulator for the first time in the history of the bank. For the first time, we touched an average ATM uptime of more than 98% throughout the year.

NBP continues to be a major player in the Corporate and Investment Banking space. Though the debt market remained largely risk averse in 2019, NBP assumed a lead role and closed several large transactions, during the year including:

- I. K-Electric Sukuk issue of PKR 25bn (FY-2019); the largest private sector Sukuk deal in Pakistan
- II. Syndicated CAPEX financing facility of PKR 45 Billion to Pakistan Mobile Communication Limited; the largest deal in telecom sector in Pakistan
- III. Sukuk issue of PKR 8.75bn by Engro Polymer and Chemicals Limited; the

largest deal in Chemicals sector of Pakistan during 2019

IV. Syndicated Bridge Finance Facility of PKR 6.0bn to Master Tiles and Ceramic Industries for expansion project; the largest deal in Tiles and Ceramic sector of Pakistan

We are among the few banks which provide advisory services to the Privatisation Commission. NBP won more than one mandate for privatization transactions i.e. First Women's Bank, and Heavy Electrical Complex. We remained active in CPEC related projects with Chinese counterparties. We have also developed close liaison with DFIs in Europe and GCC. We participated in international syndicate of lenders for arranging finance facility for Hong Kong based corporate entity BOW Energy Limited. The Bank has a sizeable footprint on the main routes of CPEC, which will be further expanded as required.

Our international operation spans over 19 countries with a total of 21 branches, 2 subsidiaries, 1 joint venture and 3 representative offices. We are the only Pakistani bank having three branches and two wholly owned subsidiaries in the Central Asian countries.

The Bank's Islamic Banking business is an important area of focus and growth. In order to strengthen the product menu with regard to specialized deposit products, NBP Aitemaad launched new products for Financial Institutions, Senior Citizens, Widows and Special Persons in a unique manner differentiating it from the products prevailing in the market.

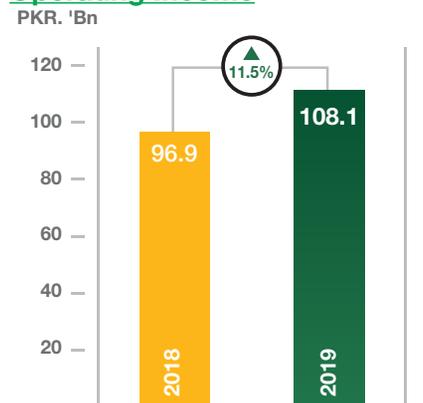
Pursuant to our risk and capital adequacy management strategy, Bank's investment portfolio is efficiently diversified across zero risk treasury instruments and other interest bearing financial instruments. The assigned AAA credit rating and outlook for NBP reflects its conservative capital structure and risk profile which gives it significant risk absorption capacity.

Financial Performance for the Year-2019

Summary: The Bank ended 2019 with satisfactory performance in all key sectors weathering many challenges posed by the operating environment, the increase in impairment losses and provisions, volatile and escalating interest rates, depreciating domestic currency and increased tax burden in particular. We demonstrated resilience to the challenges with robust and prudent assets and liabilities

management by providing adequately against NPLs and maintaining stable profit levels.

Operating Income



For the year 2019, the Bank earned total income of PKR 108.1 billion of which fund-based income and non-fund based income constituted 66.5% and 33.5%, respectively. This is 11.5% higher than the PKR 96.9 billion earned for 2018. Higher total revenues lead to a higher profit before provisions for the year which amounted to PKR 42.25 billion. However, growth was limited to 3.1% as we recorded a substantial 18.0% increase in operating expenses during the year. As the provision charge amounted to PKR 14.25 billion (26.1% higher than PKR 11.30 billion for the prior year), profit before tax stood at PKR 28.00 billion, being 5.7% lower than the prior year. As tax charge for the year amounted to PKR 12.19 billion, the After-tax Profit for the year closed at PKR 15.81 billion, being 21.0% lower as against PKR 20.0 billion for the year 2018.

Fund Based Operations and Income

Major portion of the bank's income is generated through lending and maturity transformation as Net Interest Income is the Bank's main driver of profitability. This year, the bank generated gross mark-up/interest income amounting to PKR 239.48 billion which is 59.7% higher than PKR 149.97 billion earned for the year 2018. This growth is mainly attributable to (i) the increase in policy rate from 10.25% at the beginning of the year to 13.25% by Jul '19, (ii) volumetric growth in advances and investments. Mark-up/interest income earned on Advances amounted to PKR 109.65 billion i.e. 58.1% higher than PKR 69.36 billion of prior year. The increase was recorded in all major loan products i.e. Corporate, Commodity, Consumer, SME and Islamic financing on account of both volumetric growth as well as constant increase in discount rate during the year.

Our investment portfolio earned PKR 122.34 billion as against PKR 76.29 billion of previous year, which is higher by PKR 46.05 billion or 60.4%, YoY. Growth was driven by improved yield on the government bonds on the back of higher policy rates. To maximise the returns while effectively managing interest rate risk, the Bank has efficiently placed its funds into low-risk available-for-sale securities.

Mark-up / Interest Expense

Value that we generate through lending operations is shared with our providers of funds. As we increase profit rate for the depositors promptly in line with revision in the discount rate by the central bank, this year value distributed as mark-up/interest was 87.6% higher than the previous year and amounted PKR 167.57 billion, of which 65.7% or PKR 110.08 billion goes to the depositors.

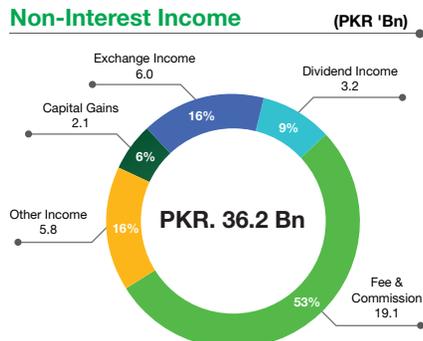
As the bank actively pursues earning opportunities through trading of financial instruments including bonds, stocks, and derivative, this year we expensed PKR 40.64 billion on securities sold under Repo which mainly constitute borrowings against treasury bills. Securities sold under Repo agreements are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a pro-rata basis and recorded as mark-up expense.

Consequently, net interest income "NII" grew by 18.5% (2018:11.8%) to PKR 71.91 billion from PKR 60.67 billion in 2018. This accounts for 66.5% of the total operating income (2018:62.6%).

Non-Fund Based Operations and Income

The bank offers non-fund based financial services thereby earning a substantial amount of non-mark-up / interest income, constituting 33.5% of the bank's total income. Despite a challenging business environment, overall and better than the industry's performance, the bank managed to maintain its non-mark-up / interest earnings. This year, non-mark-up / interest income amounted to PKR 36.20 billion. The Fee and Commission income that constitutes 52.8% of this income class, amounted to PKR 19.12 billion which is 9.1% up against PKR 17.53 billion of prior year. The lower foreign exchange income was due to reduced FX market volatility as compared to 2018, decline in trade volumes and increased swap premium.

Non-Interest Income



This year we followed a prudent strategy to manage the significantly high market and interest rate risks and the bank's earning through gain on sale and redemption of securities, remained limited to PKR 2.11 billion, 46.3% down YoY. It is positive that despite a generally lower dividend pay-out this year, the Bank's dividend income increased by PKR 537.54 million to PKR 3.15 billion i.e. 20.6% against PKR 2.61 billion for 2018. This was mainly due to dividend income received from Bank AlJazeera. To mitigate the adverse impact of recent sluggish performance of the PSX, we have strategized to enhance the non-mark-up income through growth in other business areas like digital banking, trade finance and cash management.

Total Income

On the back of higher NII, this year, total operating income amounted to PKR 108.11 billion which is 11.5% higher than the PKR 96.92 billion of 2018.

Operating Expenses

With 18.0% increase YoY, operating expenses for the year closed at PKR 65.70 billion against PKR 55.69 billion for the year 2018. HR compensation that accounts for 68.9% of the total operating expenses, amounted to PKR 45.28 billion compared to PKR 37.27 billion for the year 2018. The increase corresponds to the impact of staff remuneration consequent to the revision in pay-package applicable to non-executive staff, salary revisions to executive staff, and general increase in other overhead expenses in commensurate with inflation. Resultantly, the Bank's operating cost to income ratio stood at 60.8%, against 57.5% for prior year. This also includes the impact of reserves created for certain legal challenges without which the cost to income ratio would have been lower at 54.0%.

We invest appropriate funds on uplift and maintenance of our business premises, providing a healthy workplace environment to our people and customers. This year we spent a sum of PKR 1.06 billion on repair and maintenance of our business premises.

Overall property related expenses amounted to PKR 8.25 billion which is 12.1% higher than the prior year's. Since Information Technology is pivotal for the bank to achieve its strategic goals, we continue to invest in upgrading our IT infrastructure, systems and applications architecture. In 2019, we spent PKR 1.07 billion on software maintenance, and PKR 522.1 million on Network enhancement.

Loan Impairment and Other Provisions

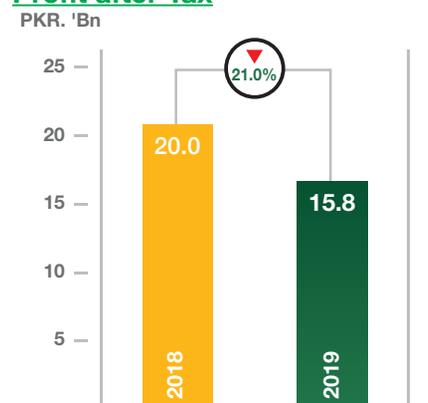
Reflecting the trend of asset quality deterioration observed across the industry, the Bank experienced an 11.5% increase in the non-performing loans (NPLs) which stood at PKR 148.75 billion from PKR 133.36 billion at the end of 2018. Of this, domestic NPLs amounted to PKR 107.70 billion (i.e. 72.4%), whereas overseas NPLs amounted to PKR 41.05 billion (i.e. 27.6%). Growth in overseas NPLs is mainly due to rupee devaluation during the year.

The bank follows a prudent approach in line with the applicable regulations for identifying loan impairments and maintaining adequate coverage of the NPLs. Besides the specific provisions, we also maintain general reserves in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. With the increase in NPLs, Net specific and general provision charge for the year 2019 amounted to PKR 6.65 billion and PKR 1.77 billion, respectively. As of December 31, 2019, specific provisions stood at PKR 134.17 billion (2018: PKR 126.27 billion). Gross NPL Ratio, Net NPL Ratio and provision coverage stood at 12.9%, 1.4% and 90.2% respectively in Dec-19 as compared to 12.6%, 0.8%, and 94.7% as of Dec-18.

Profit Before and After Tax

The higher OPEX and higher provision charges resulted in a 5.7% YoY drop in PBT that closed at PKR

Profit after Tax



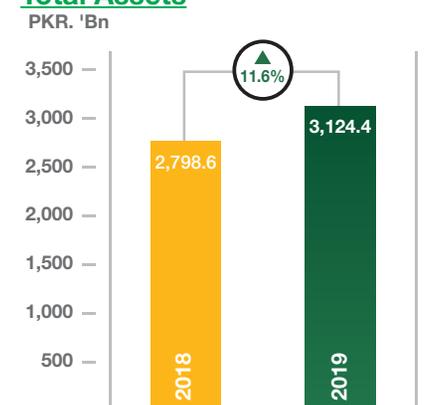
28.00 billion against PKR 29.68 billion for the prior year.

Effective tax rate for the current year is 43.5% as compared to 33% of last year. This is mainly due to the 4% super tax levied retrospectively for financial year 2017. Further, last year tax charge also included a tax reversal of PKR 2.1 billion on account of favourable ATIR decisions for the years 2010-2015. Excluding the prior year effects, the effective tax rate is 40% for both years. Due to the higher tax burden, after tax profit closed at PKR 15.81 billion, depicting a 21.0% decline against PKR 20.0 billion for 2018.

Financial Position as of December 31, 2019

As of December 31, 2019, total assets of the Bank amounted to PKR 3,124.39 billion, depicting a healthy 11.6% growth from PKR 2,798.57 billion at the end of 2018. The Bank has managed its overall asset-liability mix by generating stable funds and deploying the same into earning avenues offering positive yield.

Total Assets



This year, IFRS-16 "Leases" became applicable effective January 01, 2019. Accordingly, the right-of-use assets "ROUA" for property leases and related lease liability recognised prospectively. The adoption resulted in decrease in Profit after-tax by PKR 406 million.

Loans and Advances

Market interest rates stabilised at high levels causing the growth rate of credit granted by commercial banks to the private sector to decelerate during major part of the year. During the year under review our loan-book touched the Trillion Rupee mark as we continued to enhance it prudently by lending to quality borrowers in all sectors of the economy. Growth was mainly witnessed in corporate, infrastructure, SME, commodity and consumer loans.

Gross advances increased by PKR 91.83 billion or 8.7% to PKR 1,151.32 billion as against PKR 1,059.48 billion a year ago. As infection ratio stood at 12.9% (2018:12.6%), the bank's net advances amounted to PKR 1,008.14 billion being 8.9% higher than PKR 926.0 billion at the end of year 2018. Our loan-book is mainly PKR denominated, representing 91.4% of the gross advances. Despite generally decelerated loan demand, we made sizeable growth in most of our loan products, e.g. our corporate loan book increased by 8.3% to PKR 615.0 billion (gross), and is one of the largest in the industry. The loan to customer portfolio of the Bank is fairly well diversified across a large number of industry sectors. Power, Gas and Water sector account for 25% of our advances, followed by Textiles with 11.3%. No other sector exceeds 6% of total loans. Despite a sharp growth in deposits during the year, and limited growth in loan demand, Bank's ADR (gross) as at December 2018, stood at 52.4%, against 52.7% of the last year.

Investments

The Bank maintains a diversified and efficient investment portfolio which is more liquid, less risky, and offers healthy yield. As of December 31, 2019, the Bank's net investment amounted to PKR 1,439.2 billion, constituting 46.1% of the bank's total assets (45.9% as on December 31, 2018). Whereas, investment at cost amounted to PKR 1,417.6 billion compared to PKR 1,276.3 billion as of December 31, 2018 registering increase of PKR 141.4 billion or 11.1%. For better liquidity and rate-risk management, our investments are mostly placed into 'available-for-sale' securities which amounted to PKR 1,037.24 billion, making 73.2% of the total investments. Investment in ordinary shares of listed companies that is well diversified through major industrial sectors amounted to PKR 29.02 billion at the end of 2019 (2018: PKR 26.00 billion). Over the period, these investments have earned substantial returns for the Bank by way of dividend and capital gains. Reflecting the general market trend for the year, our investments portfolio attracted an impairment charge of PKR 3.04 billion for the year. This was mainly incurred on investment in ordinary shares of listed companies (PKR 1.74 billion), associate companies (PKR 0.21 billion), and subsidiaries (PKR 0.76 billion).

The Bank follows a strategy to divest its investments when it feels that the market has matured and the capital released can be better deployed elsewhere.

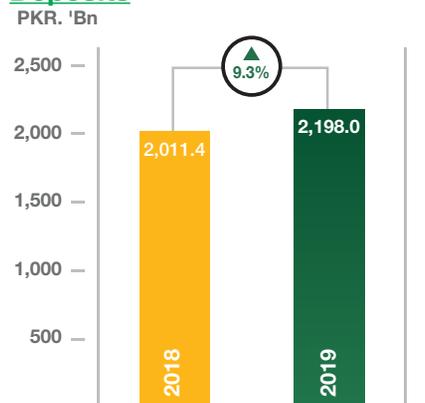
Deposits

This was yet another area of landmark

achievement for NBP as its deposits were maintained at PKR 2 Trillion mark. The Bank has established an unparalleled business network and outreach to a wide range of depositors throughout the country. As the Bank enjoys depositors' utmost confidence, most of our funds are generated as 'stable funds' through core customers' deposits. Our deposit products include traditional savings accounts, call deposits, term deposits, daily-income accounts, non-interest bearing and interest-bearing current accounts, etc.

During the year under review, the Bank's deposits increased by PKR 186.67 billion and amounted to PKR 2,198.05 billion

Deposits



which is 9.3% higher than PKR 2,011.39 billion at the end of year 2018. The Bank follows an aggressive strategy for deposit mobilisation, particularly the low-cost current and saving (CASA) deposits. Customers' deposits as of Dec '19 amounted to PKR 1,797.25 billion, representing 81.8% of the total deposits. Total current deposits (including FIs) stood at PKR 1,204.85 billion, depicting a 9.3% growth YoY. Also the saving deposits increased by 10.5% to PKR 593.08 billion, as compared to PKR 536.91 billion a year back. On a positive note, the bank's CASA deposits (including NIDA) have shown improvement from 81.5% in December 2018 to 81.8% as of December 31, 2019.

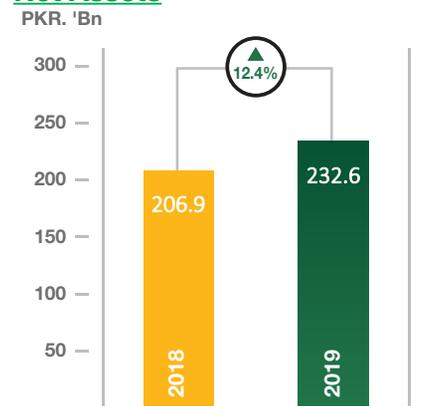
Capital Management

For Financial Institutions, capital acts as a buffer to absorb unexpected future losses, and the capital adequacy ratio is a regulatory check to ensure prudent asset growth. This has prompted regulators to impose higher capital requirements to ensure the safety and soundness of the banking system. Also, the restrictive capital definitions, higher risk-weighted assets, higher capital buffers for D-SIB, higher

impairment provisioning under IFRS-9 and difficulty in raising fresh capital due to market conditions, are all exerting pressure on capital strengths of banks. Banking industry in Pakistan will be forced to take less risk, and bear the brunt of higher capital costs and lower returns on equity. NBP as a DSIB is required to maintain higher capital in the form of additional common equity which will increase from the current 1.5% to 2.0%, effective March 31, 2020.

The Bank considers it a priority to pro-actively manage capital at its disposal in order to build a solid platform for business growth. In 2019, we paid greater attention towards capital management, particularly in relation to the implementation of IFRS-9 effective January 01, 2021. Reflecting the profitability of the Bank and the prudent dividend policy, paid-up equity capital of the Bank grew to PKR 162.37 billion as at December 31, 2019 from PKR 146.88 billion a year ago. During the year, RWAs of the Bank grew by 14.3% to PKR 1,178.94 billion from PKR 1,031.68 billion in 2018. Consequently, both the Common Equity Tier 1 ratio and the total capital ratio stood at 12.11% (minimum requirement-6.00%) and 15.48% (minimum requirement-14.00%), respectively as at December 31, 2019, The Bank is taking effective measures to augment its capital base to ensure comfortable compliance with regulatory requirements at all times.

Net Assets



Reflecting on our capital strengths, the JCR-VIS and PACRA Credit Rating Company re-affirmed the Bank's credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Also, Moody's Investors Service, in their report of Dec '19, upgraded Outlook of the Bank to 'Stable' with a 'B3' long-term rating.

Funding and Liquidity

We accord as much importance to funding and liquidity as we do to the capital. To proactively monitor the funding and liquidity position, maturity profile and asset-pricing, the Assets and Liabilities Committee (ALCO) of the Bank meets monthly. It extensively deliberates on the developments such as market liquidity, current and perceived interest rates, changes in policy rates, credit growth and facilities in the pipeline, capital market developments etc. that affect funding and liquidity. With a substantial portion of customer deposits likely to remain with the Bank for the medium to long term, such deposits are considered more stable than wholesale FI's funding sources.

Throughout the year, the Bank maintained optimum levels of funding and liquidity through a sufficiently diversified (by type and maturity) funding portfolio. At end 2019, of the Bank's total assets, customer deposits and equity capital together funded 65.0% of the Bank's total assets (2018:67.2%) while all forms of other liabilities such as trade payables and FI borrowings accounted for 22.2% or PKR 693.73 billion as compared to 20.7% or PKR 580.31 billion as at December 31, 2018. Similarly, of the Bank's liabilities, 62.1% were made up of customer deposits as at December 31, 2019.

At 147.6%, the LCR was well above the minimum requirement of 100%, as at December 31, 2019. As available stable funding as at Dec '19 closed at PKR 2,040.91 billion against total required stable funding of PKR 875.21 billion. This leads to a Net Stable Funding Ratio (NSFR) that stood at 233.2% comfortably above the statutory minimum of 100%.

Islamic Banking

For the year ended December 31, 2019, NBP Aitemaad Islamic Banking posted a pre-tax profit of PKR 2,039.14 million as compared to a loss of PKR 57.15 million for 2018. NBP Aitemaad Islamic Banking continued its growth momentum, whereby during the year, deposit base grew by 24.04% from PKR 51.02 billion on December 31, 2018 to PKR 63.29 billion on December 31, 2019. NBP Aitemaad serves its customers through 190 branches with presence in 90 cities across Pakistan.

Conclusion

By recognizing and tangibly responding to internal organizational and operating challenges as well as its many external

issues, NBP has emerged as a stronger institution at the end of 2019 than it was at the start. We are confident that we will not only weather the storm, but be positioned and ready for growth when the economic cycle reverses.

Onward 'Naya' NBP!

Arif Usmani

President & Chief Executive Officer
February 28, 2020

Directors' Report to the Shareholders

Standalone Financial Statements for the Year Ended December 31, 2019

The Directors have pleasure in presenting to the shareholders of the Bank the Annual Report of the Bank together with the Audited Financial Statements of the Bank for the year ended December 31, 2019 and the Independent Auditors' Report thereon.

Economic Environment

Globally, the rising trade barriers and associated uncertainty (US-China trade war & Brexit) weighed on the global business sentiment and activity. Global growth this year was 2.5%, and recorded somewhat the weakest pace since the financial crisis a decade ago. This weakness was widespread, reflecting common influences across both developed and developing economies as well as country-specific factors.

Locally, Pakistan was no exception to the above. Having posted an average growth at 4.7% during FY14-18, GDP growth decelerated to 3.3% in FY19- a 2.2% points decline compared to FY18. Growth forecast during the year ahead is revised downward at 2.4%; which, however, is expected to recover gradually to 3.0% in FY21. The economic activity decelerated in response to contractionary monetary policy and other structural adjustments e.g. transition to a market-determined exchange rate allowing the Rupee to find its new equilibrium 35.5% down, cut in the development budget, utilities' tariff adjustments, and the policy rate increase (by 750 bps since Jan '18). So far, the measure-mix appears to address the macroeconomic imbalances and push the economy towards stability. The pass-through from the stabilisation measures, on the one hand, has significantly improved twin deficits, and on the other hand, has triggered the headline inflation to reach a high 14.5% in Jan '20. It is expected to remain at 12.0% in FY20.

Market confidence seems to be gradually returning, the Central Bank has paused its interest rate hike cycle by keeping the policy rate at 13.25% since July 2019. Pakistan's FX reserves have been on the rise as they hit an almost two-year high at \$12.27 billion in Jan '20. Current Account Deficit also declined and narrowed to US\$13.5 billion (4.8% of GDP) in FY19 compared to US\$19.9 billion (6.3% of GDP) in FY18. The narrowing of the CAD has continued in FY20, as the CAD narrowed 75% to \$2.153 billion in the first six months of the fiscal year of 2020 driven by lower import for transport and machineries, followed by food items and metals. The stock market has also recovered considerably during Q4 of 2019. Sovereign rating and outlook of Pakistan and the Pakistani Banking System has been upgraded to "Stable". Also, Pakistan's rank for "Ease of Doing Business" stands improved from 138 to 108.

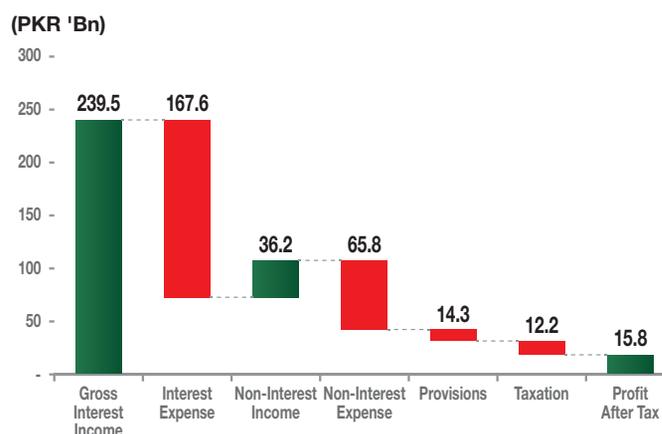
Financial Performance & Position

• Profitability

For the year 2019, gross mark-up/interest income increased by 59.7% YoY and closed at PKR 239.48 billion (2018: PKR 149.97 billion). Growth was mainly attributable to (i) the increase in policy rate from 10.75% at beginning of the year to 13.25% by Jul '19, and (ii) a volumetric growth in advances & investments. Value that we generate through our fund based operations is shared with our providers of funds. This year, the value distributed by way of mark-up/interest was 87.6% up YoY and amounted to PKR 167.57 billion, of which 65.7% or PKR 110.01 billion was paid to the depositors. Resultantly, net mark-up / interest income closed 18.5% higher YoY at PKR 71.91 billion (2018: PKR 60.67 billion).

Despite a lackluster performance of the stock market, lower trade business volumes, a murky business environment overall, and contrary to the industry performance, the Bank efficiently maintained its non-mark-up / interest earnings. This year, non-mark-up / interest income amounted to PKR 36.20 billion. With 66.5% and 33.5% contributed by NII and NFI, respectively, total revenue of the Bank amounted to PKR 108.11 billion, i.e., 11.5% higher than PKR 96.92 billion of prior year.

Profit & Loss



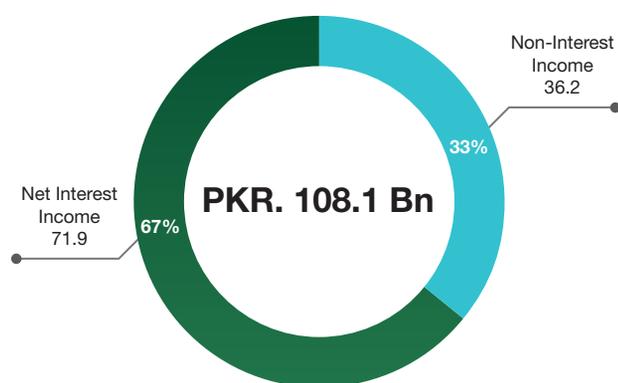
Corresponding to the general increase in overhead expenses and in commensurate with inflation, administrative expenses for the year amounted to PKR 65.71 billion against PKR 55.69 billion for the year 2018. This 18% increase was mainly due to higher HR compensation that represent 68.92% of the total administrative expenses. The Bank has also prudently provided against certain HR related contingencies. The Bank's Cost-to-Income ratio stood at 60.8% as against 57.5% for the year 2018.

The higher total income lead to a higher Profit Before Provision “PBP” for the year that amounted to PKR 42.25 billion. However, the YoY growth in PBP remained limited to 3.1% as the Bank recorded a substantial 18.0% increase in operating expenses during the year.

Reflecting the trend of asset quality deterioration observed across the industry this year, the Bank experienced a 11.5% increase in the Non-Performing Loans (NPLs) which stood at PKR 148.75 billion from PKR 133.36 billion as of December 31, 2018.

Operating Income

(PKR 'Bn)



While provision charge for the year on loans & advances stood at PKR 8.42 billion (2018: PKR 8.8 billion), provision charge against investment amounted to PKR 3.04 billion (2018: PKR 0.23 billion), as the stock market performed bearish. Including the provisions against certain HR contingencies and other assets & liabilities, total provision closed at PKR 14.25 billion (2018: PKR 11.30). Accordingly, profit before tax stood at 28.00 billion, being 5.7% lower than PKR 29.68 billion for the prior year. This year, the Bank’s tax burden amounted to PKR 12.19 billion (effective Tax rate 43%) against PKR 9.67 billion (effective Tax rate 33%) in 2018. Increase in tax charge is on account of retrospective applicability of super tax. Profit after taxation for the year closed 21.0% lower at PKR 15.81 billion as against PKR 20.02 billion for the year 2018. This translates into earnings per share of Rs. 7.43. The Return on Average assets (RoA) after reported at 0.5%, and RoE after tax reported at 10.2%.

• Financial Position as of December 31, 2019

Your Bank achieved yet another benchmark and made history by passing the PKR 3.0 trillion mark in terms on Total Assets at end 2019. Total assets closed at PKR 3,124.39 billion, depicting a 11.6% growth from PKR 2,798.57 billion a year before. The Bank has optimally managed its asset-liability mix by generating stable funds and deploying the same into multiple earning avenues offering optimum yield. Gross advances increased during the year by PKR 91.83 billion or 8.7% to PKR 1,151.31 billion as against PKR 1,059.48 billion a year before. Since surplus liquidity is deployed into money market instruments, the Bank’s

investment (at cost) as of Dec ‘19 amounted to PKR 1,417.65 billion as against PKR 1,276.29 billion at the end of year 2018. This year, the deposits grew to PKR 2,198.05 billion, i.e. 9.3% higher than PKR 2,011.39 billion a year back. On a positive note, the Bank’s CASA deposits have shown improvement from 81.5% in December 2018 to 81.8% as of December 31, 2019.

Further discussion on financial performance and other organisational developments is also given in the CEO review.

Earnings per Share

The Bank’s after-tax profit for the year 2019 amounted to PKR 15.81 billion. This translates into basic & diluted earnings per share of Rs. 7.43 as against Rs. 9.41 of the year 2018.

Appropriation of Profit

The Board is conscious of the fact that the shareholders look forward to receiving dividend / bonus shares. The Board deliberated at length whether or not cash dividend should be recommended. However, the likely impact of the pension case and other contingencies, despite some positive signals, still remains a cause of concern. The first priority of the Board is to maintain continuity of Bank’s business which is very much dependent upon the strong capital base of the Bank. Accordingly, it is considered more prudent to retain and plough back entire profits for the time being and once the position becomes clearer and positive, the Bank may consider declaration of dividend at a later stage. Thus, the Board does not recommend any dividend for the year 2019.

Profit for the year 2019 after carryover of accumulated profit of 2018 is proposed for appropriation as follows:

	(PKR Million)
Profit before tax for the year ended December 31, 2019	28,003
Taxation:	
- Current	13,286
- Prior Year	1,057
- Deferred	(2,149)
	<u>12,194</u>
After tax profit for the year ended December 31, 2019	15,810
Un-appropriated profit brought forward	72,333
Other comprehensive income- net of tax	(2,015)
Transfer from surplus on revaluation of fixed assets-net of tax	240
Transfer from loan loss reserves	4,000
Profit available for appropriations	90,367
Appropriation:	
Transfer to Statutory Reserve (10% of after-tax profit)	(1,581)
Un-appropriated profit carried forward	<u>88,786</u>

Principal Risks & Uncertainties Facing the Bank

A detailed note on principal risks facing the Bank and the related risk management framework is included separately in this Annual Report.

Explanation in regard to any contents of modification in the Auditors Report

In their report, the external Auditors have included Emphasis of Matter by drawing attention to Note 25.3.3.1 to the financial statements which explains the contingency in relation to the pension obligations of the Bank.

As discussed at length in the said note to the financial statements, the Bank has filed a review petition with Honourable Supreme Court of Pakistan. The Petition was last fixed for hearing on 18.02.2020. After hearing the argument of our legal counsel, the Honourable Court adjourned the proceedings for further hearing on March 05, 2020. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision.

Therefore, pending the decision on the review petition, financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2019. However, in case this matter is decided unfavourably, the Bank estimates (based on the actuarial advice) that the financial impact arising from the additional liability would be approximately PKR 67.1 billion (excluding any penal interest / profit payment, if any, due to delayed payment). Pension expense for the year 2020 onward will also increase by PKR 7.0 billion due to this decision.

Material Events after the Balance Sheet Date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Control & Compliance

The Bank remains compliant with all the applicable laws, rules, regulations, and codes in the spirit of good governance, and continuously strives for improving the compliance environment.

On a special note, in 2016 the Bank and its New York branch entered into a written agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators). This agreement, inter-alia, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements. This agreement also requires implementation of the requisite systems and controls and

allocation of adequate resources to ensure full compliance with such requirements. The bank's management continues to address the matters highlighted in the written agreement and in the subsequent inspections and get them independently validated. NBP has made considerable progress and seeks to comply with all applicable laws and regulations.

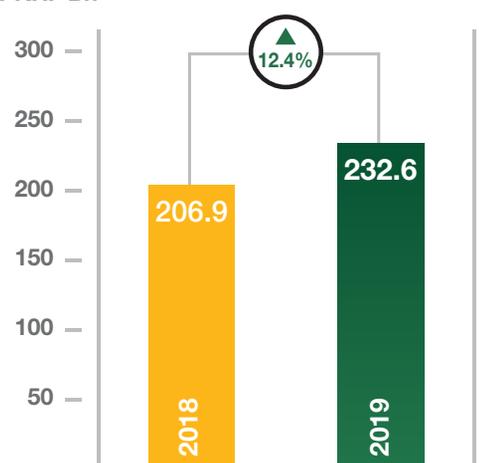
This heightened attention to compliance is expected across the Bank's international franchise which will also gain from the development and implementation of an integrated strategy.

Capital Adequacy & Management

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The Bank's objectives when managing capital, include to remain compliant with the regulatory requirements of being a Domestic Systemically Important Bank (D-SIB), while safeguarding the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Net Assets

PKR. 'Bn



At end 2019, both the Common Equity Tier-1 ratio and the Total Capital Ratio stood at 12.11% (minimum requirement-6.00%) and 15.48% (minimum requirement 14.0%) respectively as at December 31, 2019, yet exceeding the 1.5% higher loss absorbency surcharge over & above the minimum capital adequacy requirement. Further, effective March 31, 2020, the Bank will be subject to enhanced loss absorbency surcharge of 2.0% in the form of additional Common Equity tier-1 capital (CET-1). The Bank is taking effective measure to augment its capital base for creating sufficient leeway for the planned expansion of the Bank's operations.

Credit Rating

NBP is rated as 'AAA' by the two recognised credit rating agencies in Pakistan. In June 2019, M/s JCR-VIS Credit Rating Company re-affirmed the Bank's standalone credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA has also assigned the Bank long-term entity rating as 'AAA' (Triple AAA) and short-term credit rating as 'A1+' (A-one Plus). Moody's Investors Service, in their report of Dec '19, upgraded Outlook of the Bank to 'Stable' with a 'B3' long-term rating.

Future Outlook

Moving into its 71st year of untiring service to the Nation, the Bank remains committed to maintain its current momentum of delivering exceptional results to its shareholders in years to come. We expect 2020 to be challenging yet create exciting opportunities for NBP and the Banking industry as a whole.

For the year 2020 & beyond, our business strategy will focus on inclusive development through reaching and supporting underserved sectors including SME, Microfinance, Agriculture Finance and finance for Micro-Housing on a priority basis.

This is in addition to the Bank's dominant role in dealing with public sector enterprises and its employees. Building a digital banking capability and a technology platform will be a central part of this strategy as will the inculcation of a performance driven culture within the institution. Given the slow growth of brick & mortar relative to digital channels, our future business strategy will evolve around realigning ourselves with the emerging e-banking dynamics as business growth requires special attention to Digital Banking for offering comprehensive banking solutions.

Impact of the Bank's Business on the Environment

The Bank's business model and operations do not directly create a significant adverse impact on the environment. However, the Bank is taking measures for environmental protection, particularly reduction of carbon footprint, through initiatives such as plantation, solarised branches, installation of energy efficient office equipment and reduction in paper usage in our processes, e.g. the Annual Report is now sent in electronic form, instead of print copies.

Appointment of Auditors

The existing auditors of the Bank M/s Deloitte Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman Chartered Accountants, retire and being eligible, have offered themselves for re-appointment as auditors of the Bank for the year 2020.

The Board of Directors, upon recommendation of the Board Audit Committee, recommends re-appointment of M/s Deloitte Yousuf Adil, Chartered Accountants and M/s Grant Thornton, Chartered Accountants as external auditors of the Bank for the

year ending December 31, 2020 on existing remuneration to be approved by the shareholders in 71st Annual General Meeting.

Composition of the Board and its Committees

Composition of the Board of Directors and its Committees along with the changes occurred therein during the year 2019 are disclosed under the Statements of Compliance with the Listed Companies Code of Corporate Governance) Regulations, 2019.

Endorsement

The Board of Directors is pleased to endorse following statements included in this Annual Report:

- I. Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- II. Statement of Internal Controls.
- III. Risk Overview & Management.
- IV. Sustainability and Corporate Social Responsibility Report.
- V. Groups Performance Review.
- VI. Pattern of Shareholding.

Acknowledgement & Appreciation

We would like to take this opportunity to appreciate and acknowledge the Government of Pakistan, the State Bank of Pakistan, SECP and other regulatory bodies for their continued support, and shareholders and customers of the Bank for their trust and our employees for their continuous dedication and commitment.

We look forward to their continued support in enabling the Bank to achieve its true potential to play its role in the socio-economic development of Pakistan as The Nation's Bank.

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Imam Bakhsh Baloch
Director

Karachi
Dated: February 28, 2020

۱۷۔ رسک کا جائزہ اور نظم و نسق

۱۸۔ علاقائی سرگرمیوں اور کاروباری ماہی نامی (مرداری) کے حوالے سے مہارت

۱۹۔ حصص ملکیت کا اسلوب

اعتراف اور ستائش

ہم اس موقع سے شکریہ ادا کرتے ہوئے شکریہ پاکستان اسٹیٹ بینک آف پاکستان، بینکاروں کی ایڈوائزنگ کمیٹی آف پاکستان اور دیگر رگولیری اتھارٹیز کو ان کے مسلسل تعاون کے لیے، بینک کے حصص مالکان اور کسٹمرز کو ان کے احسان کے لیے اور اپنے ماز میں ان کی مسلسل ہنس ٹھانی اور سگن کے لیے کراچی ٹیمیں شکر کرتے ہیں اور اعتراف کرتے ہیں۔

ہم قوم کے اپنے بینک کی حیثیت سے بینک کو اپنی اصل صلاحیت کے مطابق پاکستان کی ماہی اقتصادی ترقی میں اپنا کردار ادا کرنے کے قابل بنانے کے لیے ان کے مسلسل تعاون کے لیے شکر ادا کرتے ہیں۔

جناب، براؤن آف انڈیکٹرز

عام مینجنگ
ڈائریکٹر

عارف عثمانی
صدر اور چیف ایگزیکٹو آفیسر

کراچی

تاریخ: 28 فروری، 2020

2018 کا تین شدہ منافع آگے منتقل کرنے کے بعد سال 2019 کے لیے منافع برطانی ذیلی بخش کرنے کے لئے
 تیار کیا گیا ہے۔

(ملین روپے)	
28,003	31 دسمبر 2019 کو ختم ہونے والے سال کے لیے عمل درآمد منافع
	موصول:
13,286	- موجودہ سال
1,057	- گزشتہ سال
(2,149)	- مؤخر شدہ
12,194	
15,810	31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بعد از موصول منافع
72,333	آگے منتقل کیا گیا، غیر استعمال شدہ منافع
(2,015)	دیکر بائع آمدن - بعد از موصول
240	ٹیکس و سٹیکس کے از سر نو تخمینہ پر مبنی سوائے سے منتقلی
4,000	عمومی قرض خسارے کے ذخائر سے غیر استعمال شدہ منافع جات کو منتقلی
90,367	استعمال کے لیے دستیاب منافع
	منافع کا استعمال:
(1,581)	قانونی تازگی کے لیے منتقلی (بعد از موصول منافع 10% لیمٹ)
88,786	آگے منتقل کیا گیا، غیر استعمال شدہ منافع

بینک کو رجسٹریشن سے غلطی اور غیر چینی صورت حال

بینک کو ان مرکزی غلطی اور حلقہ رسک مینجمنٹ فریم ورک پر ایک تفصیلی نوٹ اس سال اندہ پورٹ میں منسلک سے
 شامل کیا گیا ہے۔

آڈیٹرز رپورٹ میں کسی بھی ترمیم کے متن کے سلسلے میں وضاحت

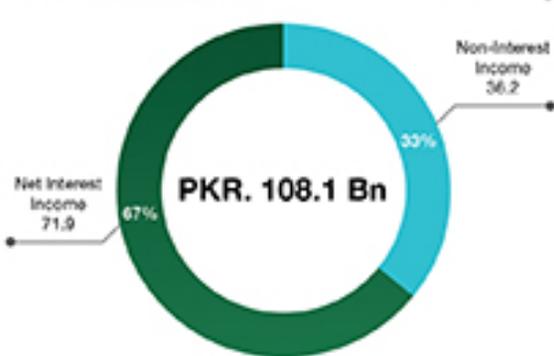
آڈیٹرز آڈیٹرز نے اپنی رپورٹ میں مالی گوشواروں کے نوٹ 25.3.3.1 کی طرف توجہ مبذول کر کے معاملہ پر
 زور دیا ہے جس میں بینک کی بائسن سے متعلق باہیات کے سلسلے میں دی گئی صورت حال کی وضاحت کی گئی ہے۔

جیسا کہ مالی گوشواروں میں مذکور نوٹ پر تفصیل سے چلائی گیا ہے، بینک نے سپریم کورٹ آف پاکستان
 میں ایک نظر رجسٹری درخواست دائر کی ہے۔ درخواست کی آخری سماعت 18.02.2020 کو کی گئی تھی۔ قانونی
 مشیر کے حلقہ وارگیٹنے کے بعد محرز عدالت نے باہیات کی درخواست کو مسترد کر دیا۔ 2020 تک سٹیٹی کریڈیٹ
 ہائے۔ جیسا کہ ہمارے قانونی مشیروں کی طرف سے مشورہ دیا گیا ہے، بینک سمجھتا ہے کہ اس معاملے میں سپریم
 کورٹ کے ایک اور سیشن کے منتظر فیصلے، جیسا کہ ہم نے اس وقت کی درخواست میں، بینک کے معاملے سے متعلق ہے اور
 فیصلے میں حلقہ دیکر قانونی کمزوریوں کی وجہ سے، بینکوں کے سلسلے میں رجسٹری درخواست میں لٹاؤں کیا
 گیا ہے، بینک قانونی فیوادوں پر ایک متحمل حد تک مشورہ مہیا کر رہا ہے کہ وہ سپریم کورٹ کو اپنے فیصلے پر نظر رجسٹری
 چل کرے۔

لہذا، نظر رجسٹری کی درخواست پر زیر التوا فیصلے کے وقت تک، 31 دسمبر 2019 کو ختم ہونے والے سال کے مالی
 گوشواروں میں مذکور مقدمے کے مالی اثرات کو شامل نہیں کیا گیا ہے۔ تاہم، اس مقدمے کا فیصلہ موقوف ہوا تو،
 بینک کا تخمینہ (انجی بیل شہور کے بنیاد پر) ہے کہ اضافی باہیات سے پیدا ہونے والا مالی اثر (تاخیر سے فراہمی
 کی وجہ سے کسی بھی برآمدہ درآمدات کی ادائیگی، اگر کوئی ہوتا، کو چھوڑ کر تقریباً 67.1 ارب روپے ہوگا۔ اس فیصلے
 کے نتیجے میں سال 2020 اور اس کے بعد بائسن کے اثرات میں بھی 7.0 ارب روپے کا اضافہ ہو جائے گا۔

Operating Income

(PKR 'Bn)



کی وجہ سے۔ سال کا بعد از موصول منافع سال 2018 کے 20.02 ارب روپے کے مقابلے میں 15.81 ارب
 روپے پر بند ہوا اور پچھلے سال کے مقابلے میں 21.0 لیمڈ کم ہے۔ اس حساب سے 7.43 روپے فی مہینہ آمدنی کی
 صورت میں سامنے آیا۔ اس کے علاوہ (RoA) پر منافع 0.5 لیمڈ اور بعد از موصول RoE 10.2 لیمڈ درج
 کر دیا گیا۔

مالیاتی صورت حال برطانی 31 دسمبر 2019

آپ کے بینک نے ایک اور بلند ترین مقام حاصل کر لیا اور 2019 کے آخر میں کل اثاثوں کے حساب سے 3.0
 کھرب روپے کی حد پور کر کے تاریخ رقم کر دی۔ کل اثاثے 3,124.39 ارب روپے پر بند ہوئے جو گزشتہ سال
 کے 2,798.56 ارب روپے سے 11.6 لیمڈ اضافے کی عکاسی کرتے ہیں۔ بینک نے حکم نقل زبیرا کر کے
 اور زیادہ سے زیادہ آمدنی پیش کرنے والے کمائی کے متعدد ذرائع میں ان کی سرمایہ کاری کر کے اپنے اثاثوں اور
 ادائیگات کو بھر پور طریقے سے سنبھالا ہے۔ سال کے دوران مجموعی قرض جات ایک سال پہلے 1,059.48 ارب روپے
 کے مقابلے میں 91.83 ارب روپے 8.7 لیمڈ اضافے کے ساتھ 1,151.31 ارب روپے تک بڑھ گئے۔

عملی مارکیٹ کے تحریکات میں چند اضافی ہیڈ لائن (گلوبل نیٹ) سرمایہ کی جاتی ہے، اس لئے بینک کی سرمایہ کاری کی
 ہیڈ لائن (انٹرنیشنل) سال 2018 کے اختتام پر 1,276.29 ارب روپے کے مقابلے میں 31 دسمبر 2019
 میں 1,417.65 ارب روپے۔

اس سال اپنا پانچ 2,198.05 ارب روپے تک بڑھ گئے یعنی گزشتہ سال کے 2,011.38 ارب روپے میں
 9.3 لیمڈ اضافہ ہوا ہے۔ ایک ہیڈ لائن کے طور پر، بینک کے CASA (پانچ) (شمول NIDA) میں 2018
 کے 81.5 لیمڈ کے مقابلے میں 31 دسمبر 2019 تک 81.8 لیمڈ تک بڑھی آئی ہے۔

مالیاتی کارکردگی اور بینک کی پوزیشن کے بارے میں مزید تفصیلی چٹاں چٹاں میں ای او پورہ میں دیا گیا ہے۔

فی مہینہ آمدنی

سال 2019 کے لیے بینک کے بعد از موصول منافع کی ہیڈ لائن 15.81 ارب روپے ہے۔ یہ سال 2018
 کی 9.41 ارب روپے کے مقابلے میں 7.43 روپے فی مہینہ منہادی اور تدریجی شدہ آمدنی تھی ہے۔

منافع جات کا استعمال

ہم اس حقیقت سے متاثر نہیں ہوتے کہ حوص پانچکان ڈی پی ڈی پانچ حوص موصول کرنے کے منتظر ہیں۔ ہمارے
 طریقوں اور پانچ کی کارکردگی ڈی پی ڈی کی رفتار کی جانی چاہئے پانچ۔ تاہم، پانچ حوص اشاروں کے ادا ہونے پر پانچ
 اور دیگر بنیادی حالات کے نکلنے اثرات ابھی بھی نشوونما کا باعث بنے ہوئے ہیں۔ ہمارے کی پہلی تاریخ بینک کے
 کاروباری سلسلے کو برقرار رکھتا ہے جو بینک کی مشورہ فراہم جاتی ہے اور بہت زیادہ اہمیت رکھتا ہے۔ اس کے مطابق،
 فی الحال ہمارے منافع کو رکھ کر کام میں لانے زیادہ اہمیت رکھتا ہے، اور ایک بار جب پوزیشن زیادہ واضح اور
 مثبت ہو جاتی ہے تو، بینک بعد میں کسی مرحلے پر ڈی پی ڈی کے اعلان پر غور کر سکتا ہے۔ لہذا، ہمارا سال 2019 کے
 لئے کسی بھی ڈی پی ڈی کی رفتار نہیں کر رہا ہے۔

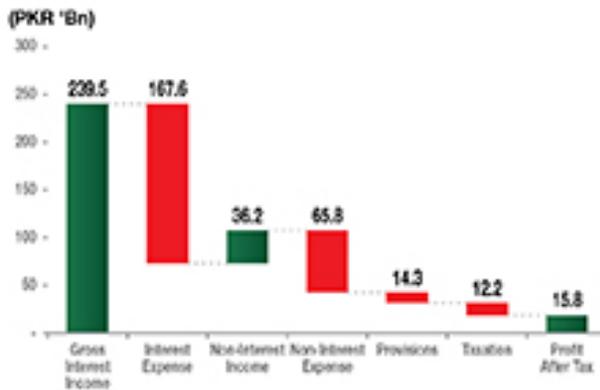
ڈائریکٹرز کی رپورٹ برائے حصص مالکان

31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بینک کے بطور واحد ادارہ مالیاتی گوشوارے سے

167.57 ارب روپے تک پہنچی، جس میں سے 65.7 ارب روپے 110.01 ارب روپے اپنا زکوٰۃ ادا کیے۔ جس کے نتیجے میں مارک اپ لاغرست کی آمد میں خالص آمدنی 71.91 ارب روپے (2018: 60.67 ارب روپے) سال پرمال بنیاد پر 18.5 ارب روپے اضافے پر بند ہوئی۔

اسٹاک مارکیٹ کی کم زکوٰۃ کی بدولت کے کاروبار کے حجم میں کمی، مجموعی طور پر باہمی بھرتے کا وہ باری ماحول، اور صنعت کی کارکردگی کے برخلاف، بینک نے مؤثر طریقے سے اپنی بان مارک اپ لاغرست کی آمدنی کو مستندی سے برقرار رکھا۔ اس سال، بان مارک اپ لاغرست کی آمدنی 36.20 ارب روپے رہی۔ NFI اور NII کی طرف سے ہائپر تیب 66.5 ارب روپے اور 33.5 ارب روپے کی شراکت کے ساتھ، بینک کی آمدنی 108.11 ارب روپے یعنی گزشتہ سال کے 98.92 ارب روپے سے 11.5 ارب روپے زیادہ رہی۔

Profit & Loss



انٹرنیٹ فراہمات میں عمومی اضافے اور فراڈ زکوٰۃ کی نسبت سے سال کے انتظامی اخراجات کی مابیت 65.71 ارب روپے جاری ہو کر 2018 میں 55.69 ارب روپے تھی۔ یہ 18 ارب روپے اضافہ بنیادی طور پر بند HR ماحولوں کی وجہ سے ہے۔ مجموعی انتظامی اخراجات کے 68.92 ارب روپے پیش کیے۔ بینک نے HR سے متعلق ماحولوں بنیادی امور کے لیے بھی فراڈ اور فراڈ میں رقم جمع کی ہے۔ بینک کا آمدنی سے ایک ارب کا حساب سال 2018 کے 57.5 ارب روپے کے مقابلے میں 60.8 ارب روپے ہے۔

زیادہ مجموعی آمدنی زیادہ ملنے والی رقمیں منافع کا باعث بنی جو سال کے لیے 42.25 ارب روپے زیادہ تاہم ملنے والی رقمیں منافع میں سال پرمال اضافہ 3.1 ارب روپے تک محدود رہا کیونکہ بینک کے انتظامی اخراجات میں 18 ارب روپے اضافہ درج کیا۔

اس سال ہماری صنعت میں اڈوں کے معیار میں انحطاط کے رجحان کی عکاسی کرتے ہوئے بینک کو غیر فعال قرضوں (NPLs) میں 11.5 ارب روپے اضافہ برداشت کرنا پڑا، 31 دسمبر 2018 کے مقابلے میں 133.36 ارب روپے سے 148.75 ارب روپے پر پہنچی گیا۔ جہاں قرضہ ہاتھ کی مد میں حرمین (provision charge) کی مابیت 8.42 ارب روپے (2018: 8.8 ارب روپے) امریکی سرمایہ کاری کے متعلق حرمین کی مابیت 3.04 ارب روپے (2018: 0.23 ارب روپے) کیونکہ اسٹاک مارکیٹ نے منفی کا مظاہرہ کیا۔ HR سے متعلق ماحولوں بنیادی امور اور دیگر اڈوں ہاتھ کے متعلق حرمین صیا کرنے کے سمیت مجموعی حرمین کا اہتمام 14.25 ارب روپے (2018: 11.30 ارب روپے)۔ اسی کے مقابلے میں اڈوں حاصل منافع گزشتہ سال کے لیے 29.68 ارب روپے سے 5.7 ارب روپے کے ساتھ 28.00 ارب روپے زیادہ۔

اس سال، بینک کا محصول 2018 میں 9.67 ارب روپے (محصول کی موثر شرح 33 ارب روپے کے مقابلے میں 12.19 ارب روپے) محصول کی موثر شرح 43 ارب روپے، محصول میں اضافہ پرمال (Super Tax) کے اخلاف پر مبنی

ڈائریکٹرز بینک کے حصص مالکان کو 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بینک کی سالانہ رپورٹ کے ساتھ بینک کے آڈٹ شدہ مالیاتی گوشوارے اور ان سے متعلق خود بخود راز ڈائریکٹرز رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی ماحول

معاشی ماحول پر بدبینی ہوئی تھی، کاروں اور ان سے وابستہ غیر چینی صورتحال (اسے بین بین تھریڈ بینک اور برکوت) کا عالمی کاروباری بددلت اور سرگرمی پر دبا ہے۔ اس سال معاشی ماحول پر شرح نمو 2.5 ارب روپے، وہائی مل رہنا ہونے والے مالی بحران کے بعد یہ کسی حد تک کمزور ترین رفتار دکھائی گئی ہے۔ یہ کمزوری دکھائی جانے پر جمی، برترقی یافتہ اور ترقی پزیر دونوں معیشتوں کے ساتھ ساتھ کسی خاص ملک سے متعلق ماحول پر متحرک اثرات کی عکاسی کرتی ہے۔

معاشی ماحول پر مذکورہ بالا اثرات سے پاکستان بھی مستثنیٰ نہیں تھا۔ مالی سال 2018-2014 کے دوران 4.7 ارب روپے شرح نمو راج کرانے کے بعد، مالی سال 2019 میں مجموعی ملکی پیداواری نمو 3.3 ارب روپے، جو مالی سال 2018 کے مقابلے میں 2.2 ارب روپے کے ساتھ سال کے دوران ملکی پیش گوئی کی نظر آئی 2.4 ارب روپے کی گئی ہے۔ تاہم توقع کی جاتی ہے کہ مالی سال 2021 میں تھریڈ 3.0 ارب روپے معاشی ماحول ہو جائے گی۔ سخت گیر مالیاتی پالیسی اور دیگر معاشی ردیول، مثلاً مارکیٹ کی نشیمن کردہ روپے کی قدر کی طرف متقلبی کے درجہ اور چھوٹے چھوٹے طرف 35.5 ارب روپے کے متاثرہ ماحول کے ساتھ، دنیا برتر ترقی یافتہ ممالک میں کوئی، پائیلیٹیو ٹریف میں ردیول اور پالیسی رہنے میں اضافہ (نوری 2018 سے 750 ارب روپے پائیس) کے نتیجے میں معاشی سرگرمی میں کمی آئی۔ اب تک ملے جئے اقدامات مجموعی معاشی ماحول کو تازہ سے محدود رہا ہے اور معیشت کا اہتمام کی طرف کے جو سامنے دکھائی دے رہے ہیں۔ اس کی اقدامات کے نتیجے میں، جہاں ایک طرف وہ برتے شمارے میں لاپس بھرتی آئی ہے، تو دوسری طرف، نوری 2020 میں مرکزی فراڈ لارے 14.5 ارب روپے کی بلندی کو چھو لیا ہے۔ مالی سال 2020 میں یہ 12.0 ارب روپے پر پہنچنے کی توقع ہے۔

مارکیٹ کا استحواہ آہستہ آہستہ بحال ہو رہا ہے، مرکزی بینک نے گزشتہ سال 2019 سے پالیسی رینٹ کو 13.25 ارب روپے پر قرار دینے کے شرح سود میں اضافے کا سلسلہ رکھ دیا ہے۔ پاکستان کے ڈومیسٹک کے خارجہ میں بھی اضافہ ہو رہا ہے جیسا کہ ماحول نے نوری 2020 میں 12.27 ارب ڈالر کے ساتھ تقریباً دو سال کی بلند ترین سطح کو چھو لیا ہے۔ کرنٹ اکاؤنٹ کا شمار بھی کم ہوا جیسا کہ مالی سال 2018 میں 19.9 ارب امریکی ڈالر (مجموعی ملکی پیداوار کا 6.3 ارب روپے) کے مقابلے میں مالی سال 2019 میں 13.5 ارب امریکی ڈالر (مجموعی ملکی پیداوار کا 4.8 ارب روپے) تک گر گیا۔ مالی سال 2020 میں کرنٹ اکاؤنٹ خسارہ کم ہونے کا سلسلہ جاری ہے، جیسا کہ مالی سال 2020 کے پہلے چھ ماہ میں کرنٹ اکاؤنٹ خسارہ 75 ارب روپے، 2.153 ارب ڈالر ہو گیا جس کا محرک زائپرٹ اور مشینریز ہمارے کے ہوسٹ کے پینے کی اشیاء اور دواؤں کی درآمدات میں کمی ہے۔ اسٹاک مارکیٹ بھی 2019 کی پہلی سہ ماہی کے دوران کافی حد تک بحال ہو گئی ہے۔ پاکستان اور پاکستانی کلام بنیادی کی خود بخود روپے بھاری اور آڈٹ تک کو بڑھا کر "تھیم" کر دیا گیا ہے۔ نیز، پاکستان کی "Ease of Doing Business" (کاروبار کرنے کی آسانی) کا رپے بھی 138 سے بڑھ کر 108 ہو گیا ہے۔

مالیاتی کارکردگی اور صورتحال

• منافع کمانے کی اہلیت

سال 2019 کے لیے مارک اپ لاغرست کی آمدنی میں سال پرمال بنیاد پر 59.7 ارب روپے اضافہ ہوا اور 239.48 ارب روپے پر رہی (2018: 149.97 ارب روپے)۔ یہ اضافہ بنیادی طور پر ان ماحول کا نتیجہ ہے (i) پالیسی رینٹ میں سال کے آغاز میں 10.75 ارب روپے سے جولائی 2019 تک 13.25 ارب روپے (ii) روپے کے قرضوں (ایف ڈی) اور سرمایہ کاریوں کے حجم میں اضافہ۔ ہم کل پینے کا وہ باری سرگرمیوں کے اور بچے ہونے والی آمدنی (دلیج) میں اپنے کل زفرام کرنے والوں کو شریک کرتے ہیں۔ اس سال مارک اپ لاغرست کی فصل میں تحسیم کردہ آمدنی میں سال پرمال بنیاد پر 87.6 ارب روپے اضافہ ہوا اور ان کی مابیت

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company: **National Bank of Pakistan (The Bank)**

Year ended: **December 31, 2019**

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019, "Regulations" in the manner that in case of any conflict between the Regulations and the Banks (Nationalization) Act, 1974, the provisions of the Banks (Nationalization) Act, 1974 shall prevail.

- The total number of directors are 09 as per the following:

A. Male: 08
 B. Female: 01

- The composition of Board is as follows:

The Board of Directors of the Bank are appointed as per the provisions of the Banks (Nationalization) Act, 1974. The President / CEO is the only Executive Director. The remaining Board consists of one non-executive director and seven independent directors including one independent director representing minority shareholders as required by the Regulations. At year ended December 31, 2019, the Board comprised of the following directors:

Names		Category
Mr. Zubyr Soomro	Chairman	Chairman appointed by the Federal Government under section 11(3)(a) of the Banks (Nationalization) Act, 1974.
Mr. Muhammad Naeem Mr. Muhammad Sohail Rajput Mr. Zafar Masud Mr. Imam Bakhsh Baloch Mr. Tawfiq A. Hussain Ms. Sadaffe Abid	Independent Director Non-Executive Director Independent Director Independent Director Independent Director Independent Director	Appointed by the Federal Government under Section 11(3)(a) of Banks (Nationalization) Act, 1974.
Mr. Farid Malik	Independent Director	Director representing Private Shareholders and Minority Interest elected in terms of Section 11(b) of the Banks (Nationalization) Act, 1974.
Mr. Arif Usmani	President / CEO	Appointed by the Federal Government under Section 11(3)(a) of Banks (Nationalization) Act, 1974.

- Mr. Zubyr Soomro was appointed as Chairman of the Bank's Board of Directors (the Board) vide Notification No. F.1 (11) Bkg.III/2017-568 dated April 17, 2019 with immediate effect.
- The Federal Government appointed Mr. Muhammad Sohail Rajput in place of Mr. A. Akbar Sharifzada, Mr. Tawfiq A. Hussain in place of Mr. Muhammad Imran Malik and Ms. Sadaffe Abid in place of Mr. Asad Munir on April 17, 2019 as Director on the Board of the Bank vide GOP, Finance Division, Notification No. F.1 (11) Bkg.III/2017-568 dated April 17, 2019.
- Mr. Zafar Masud and Mr. Imam Bakhsh Baloch were appointed as Directors vide Notification No. F.1 (11) Bkg.III/2017-568 dated April 17, 2019 with immediate effect.
- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
- The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.

9. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
11. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.
12. Majority of the Directors have already undergone the training.
13. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
14. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
15. The Board has formed committees comprising of members given below:

1. Board Audit Committee (BAC)

Names of Director	Status
Mr. Muhammad Naeem	Chairman
Mr. Tawfiq A. Hussain	Member
Mr. Muhammad Sohail Rajput	Member

2. Board HR & Remuneration Committee (BHRRC)

Names of Director	Status
Mr. Zubyr Soomro	Chairman
Mr. Arif Usmani	Member
Mr. Zafar Masud	Member
Mr. Farid Malik	Member

3. Board Risk & Compliance Committee (BRCC)

Names of Director	Status
Mr. Tawfiq A. Hussain	Chairman
Mr. Arif Usmani	Member
Mr. Muhammad Naeem	Member
Mr. Farid Malik	Member
Mr. Imam Bakhsh Baloch	Member

4. Board Technology & Digitalization Committee (BTDC)

Names of Director	Status
Mr. Zafar Masud	Chairman
Mr. Arif Usmani	Member
Mr. Farid Malik	Member
Ms. Sadaffe Abid	Member

5. Board Inclusive Development Committee (BIDC)

Names of Director	Status
Ms. Sadaffe Abid	Chairperson
Mr. Arif Usmani	Member
Mr. Muhammad Sohail Rajput	Member
Mr. Imam Bakhsh Baloch	Member

6. Board International Franchises & Remittance Committee (BIFRC)

Names of Director	Status
Mr. Arif Usmani	Chairman
Mr. Zafar Masud	Member
Mr. Tawfiq A. Hussain	Member

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

17. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

S. No.	Name of Committee	Meetings held during the year
1.	Board Audit Committee	10
2.	Board HR & Remuneration Committee	11
3.	Board Risk & Compliance Committee	5
4.	Board Technology & Digitalization Committee	10
5.	Board Inclusive Development Committee	5
6.	Board International Franchises & Remittance Committee	2

18. The board has set up an effective internal audit function. Further, with respect to the USA and Germany Operations, internal audit function of the Bank has been outsourced to independent professional firms, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

21. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

ARIF USMANI
 President / CEO

ZUBYR SOOMRO
 Chairman

Date: February 28, 2020

Place: Karachi



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Chartered Accountants
Cavish Court, KCHSU
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Independent Auditors' Review Report

To the members of National Bank of Pakistan

Review report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Bank (Nationalization) Act, 1974 prepared by the Board of Directors of National Bank of Pakistan (the Bank) for the year ended December 31, 2019 in accordance with the requirements of Regulation 36(1) of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2019.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 28, 2020

Statement of Internal Control

Reporting of Internal Control System

The Bank's Management has established and is managing system of Internal Control which encompasses the policies, procedures, processes and tasks as approved by the Board of Directors that facilitate effective and efficient operations. The management and the employees at all levels within the Bank are required to perform as per these approved Internal Control System components. The Internal Control System requires effectiveness and efficiency in external and internal reporting, maintenance of proper records and processes, compliance with applicable laws and regulations, and internal policies with respect to conduct of business.

The Bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives and can only provide to the bank's management and Board of Directors with reasonable but not absolute assurance against material misstatement or loss, since establishing and bringing improvement in controls are ongoing processes that include identification, evaluation and management of significant risks faced by the Bank.

SBP vide its BSD Circular No. 7 dated 27 May, 2004 has issued guidelines on the internal control for all Banks / DFIs (SBP Internal Control Guidelines) and in order to ensure consistency in the process of compliance with in the internal control guidelines, SBP vide BSD Circular No. 5 dated 24 February, 2009 has provided a roadmap (the SBP roadmap) identifying various activities / stages involved in the internal control program.

In compliance with SBP directives, the Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting (ICFR) on December 31, 2018. This included detailed documentation of the processes, comprehensive evaluation of controls both at entity, as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the control of all processes. Long form report (LFR) on the assessment of Bank's ICFR for the year 2018 issued by the statutory auditor has been submitted to SBP in compliance with OSER Circular No.1 of 2014 dated February 07, 2014.

Evaluation of Internal Controls

The Bank has an independent Internal Audit function in the name of Audit & Inspection Group with three Regional Area Audit & Inspection Offices that conduct audit of branches, Regions and Groups at the Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that, an independent Compliance Monitoring Wing is being set up under Compliance Group to monitor compliance with key regulations at branches as well as Head Office functions along with monitoring of ICFR.

For the year 2019, the Bank has made its efforts to ensure that an effective internal control system continues to perform. The observations made by the external / internal auditors and regulators in their respective audits / inspections are reviewed and measures are taken by the Management, Board Sub-Committees and Board of Directors for rectification of such observations.

Based upon the results achieved from reviews and audits conducted during the year, the Management considers that the Bank's existing Internal Control System needs improvement as this is an ongoing process and Management would continuously be evaluating efficacy of its in-built controls to enhance and further strengthen the overall Internal Control System of the Bank.

Based on the above, the Board of Directors has duly endorsed the Management's evaluation of internal controls including ICFR in the attached Directors' report.

Abdul Wahid Sethi
CFO / Group Chief, FCG

Aamir Sattar
Group Chief, A&IG

Muhammad Faraz Haider
Group Chief, Compliance Group

Risk Management Overview

RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk & Compliance Committee (BRCC). Its efforts are to have focused approach to cater all material risks that the Bank may be exposed to. These risks are mainly categorized as: Credit risk, which is managed through a well-defined credit architecture including but not limited to tools / models development and assessment through frameworks and portfolio reviews. Market & Liquidity risk, which is managed through market risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset-Liability Management Committee (ALCO). Operational risk is managed through an Operational Risk Management Framework approved by the BoD. This framework includes aspects related to, Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs) and Loss Data Management. Information Security Risk is managed through well-established through information security and cyber security framework. Apart from above-mentioned risks, the Pillar-II risks, and overall integration of risk management in the Bank come under the ambit of Enterprise Risk which is being managed accordingly.

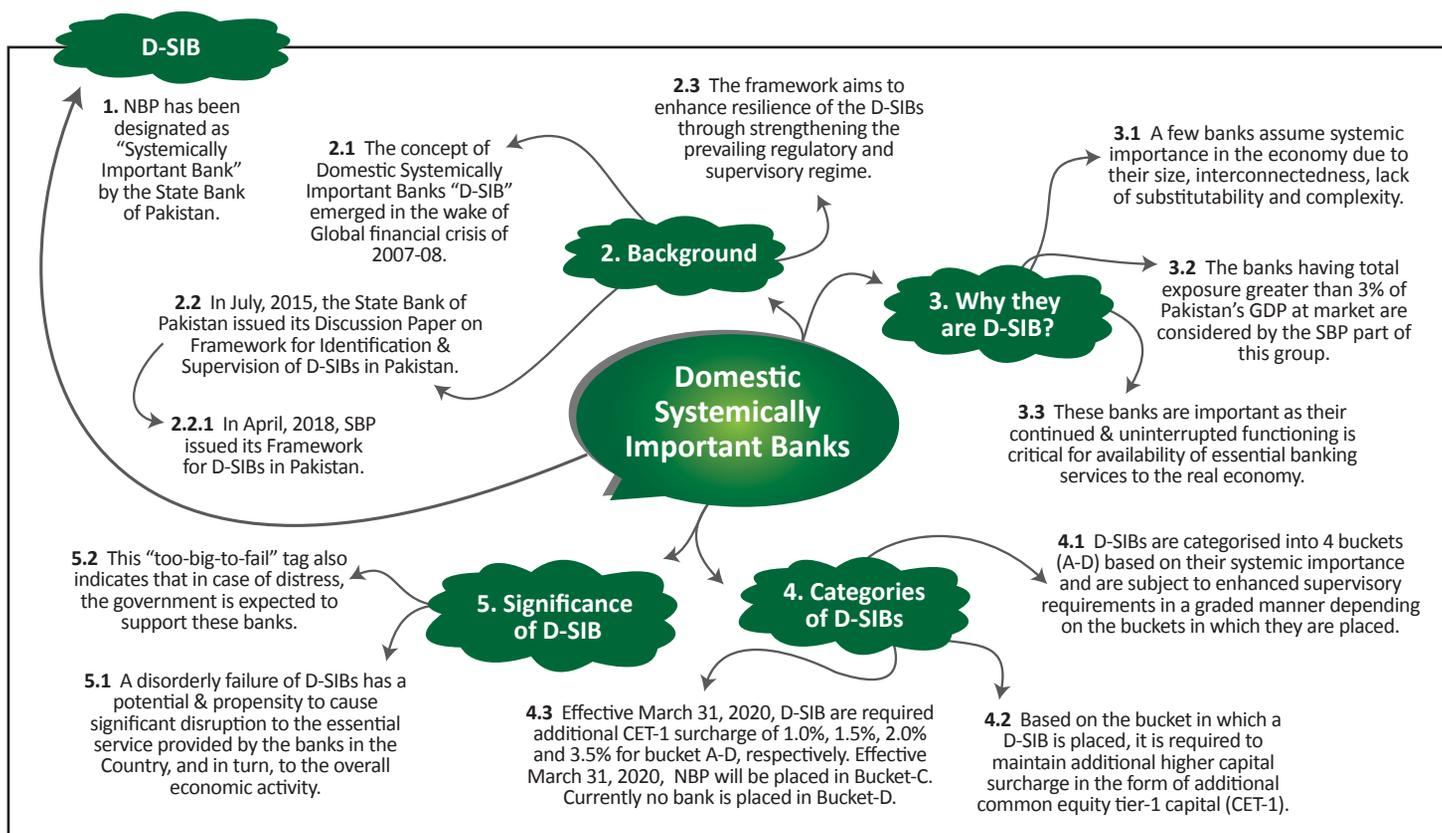
The Bank adopts different tools and techniques of risk management to keep the Bank resilient and vibrant to minimize losses within the defined risk tolerance levels. Strategic goals are embedded into risk management to maintain a robust framework for identifying and escalating risks to support sustainable business growth. RMG acts as a second line of defence in risk management structure of the Bank, assuming the role of establishing risk management framework, development of risk tools & systems for effective risk management along with review and reporting of deviations of activities from set standards, to Senior Management and the Board.

Mission of maximizing stakeholders' value through sustainable growth is achieved through informed risk decision-making and superior risk & capital management supported by a consistent risk-focused culture across the Bank. Based on our approach to the risk management, the Board has approved various policy documents that set the parameters to achieve effective risk management.

Our Approach towards Risk Management

The Bank applies the Basel framework as a cornerstone of the NBP's risk management framework and capital strategy. The Bank maintains a strong capital, funding and liquidity position in line with its ongoing commitment to maintain balance sheet strength. The strength of risk profile management of the Bank stands on the following pillars:

- Identification and assessment of significant material risks to which the Bank is, or, may be exposed to
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite



- Ensure the business profile and plans of the bank are consistent with the risk appetite
- Optimize risk / return decisions by aligning them to the business objective of achieving sustainable optimum growth
- Manage the risk profile of the Bank to ensure that specific financial deliverables remain achievable under a range of emergent business conditions

At a strategic level, the Bank's risk management objectives are to:

- identify and assess significant risks to which the Bank may be exposed to.
- timely respond to the identified risks through formulating Bank's risk appetite.
- architecturally equip the Bank with tools and models for effective risk management.
- assist Business Groups in optimizing risk / return decisions.
- analyse the overall risk profile of the Bank.
- keep track of emerging risks and perform active role in their mitigation.

Strategic goals, embedded into our approach toward risk management, are to maintain a robust framework, identify and escalate risks and support sustainable business growth through optimum risk-reward decisions. The aim of the risk management strategy is to enable the management to identify & assess the risks, respond through formulating effective mitigating tools and monitor the effectiveness of the response.

Identify & Assess: All business groups are responsible for risk recognition & assessment and development of controls in their respective areas of operation. As part of the risk assessment process, the groups ensure that not only the relevant risks are identified but their implications are considered, and basis provided for managing and measuring (as far as possible) the risks.

Respond: The Risk Management Group ensures that effective controls are in place to mitigate each of the identified risks considering its impact and likelihood and such controls are reviewed on a regular basis to appropriately address any new risk or risk not managed well previously. The results of risk assessment are reviewed at various levels within the Bank including Enterprise Risk Committee (ERC) with summary assessments shared with the Board Risk & Compliance Committee.

Monitor: Once the principal risks have been identified and measured, and mitigating controls have been put in place, progress towards objectives is tracked continuously. At NBP, Risk Monitoring is a proactive and ongoing process which may prompt a re-evaluation of the risks and / or changes in mitigating responses. It includes ensuring the risks are maintained within the overall risk appetite and checking that risk controls are functioning effectively without jeopardizing value creation objective of the Bank.

Risk Governance Structure

The Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant / material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees, i.e. Credit Committee, ERC, ALCO, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework through its committees.

Board Risk & Compliance Committee (BRCC)

BRCC is an independent committee of Board of Directors which plays a vital role in improving the risk culture in NBP through active reviews of ICAAP, Risk Appetite, Stress Testing, Credit & Investment Portfolio, Risk Management Frameworks / Policies, Operational Risk events and other Risk Management reports / MIS.

Enterprise Risk Committee (ERC)

ERC is a senior management body mainly covering risks from an overall perspective of strategy, policy / framework development, assessment measurement tools, MIS framework and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERC has representation from various business and support groups.

Risk Management Group (RMG)

Risk Management Group exists as an independent group, i.e. separate from approvals, reporting directly to the President with a dotted line reporting to the BRCC. The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodology and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations / guidelines.

Risk Management Framework Implementation

The Bank implements Risk Management Framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective & independent oversight and assurance that the activities take place as intended under the Risk Management Framework.

The First Line of Defence: Business groups have a primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. They are required to implement effective procedures and controls to ensure compliance with the related policy requirements to maintain appropriate risk management skills and to act within defined parameters as set and approved by the Board.

The Second Line of Defence: Risk Management and the Compliance functions in the Bank oversee and independently challenge to the effectiveness of risk management actions taken by business groups. The recommendations are escalated to Board Risk & Compliance Committee for deliberation and decision making.

The Third Line of Defence: Board Audit Committee and Audit & Inspection Group provide an independent, objective assurance and consulting activity designed to add value and improve risk management functions of the Bank. A&IG helps the Bank accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.



A Responsible Corporate Citizen

NBP Booth, Kartarpur Sahib Corridor

National Bank of Pakistan, being a Public Sector Commercial Bank, is fully aware of its social obligations. Over the years, it has integrated its social welfare and community development initiatives to achieve sustainable growth in the social and economic sectors of Pakistan. The Bank partners with organisations and Government authorities to implement its CSR initiatives to contribute towards the Sustainable Development Goals – particularly 3, 4, 5 and 10, i.e.:

- ◆ Good Health & Well-Being
- ◆ Quality Education
- ◆ Gender Equality
- ◆ Reduced Inequalities

Every year, the Bank invests large amounts towards bringing a positive change and improving the quality of life for members of society.

This year, the Bank was awarded 3 CSR Awards at the 12th CSR Summit Awards 2020 organized by the National Forum for Environment & Health. At the 9th CSR Summit Awards 2020, the Bank also won 2 Awards in the category of Community Support in Health & Education, Sports & Culture.

During the year, the Bank contributed PKR 26.9 Mn towards the well-being of the community under four CSR pillars.

Health



Due to the shortage of equipment, laboratories, doctors, paramedical staff and depleted infrastructure and buildings, the healthcare delivery system in Pakistan is short of standard healthcare facilities. Since the Government of Pakistan has limited resources, it is unable to fully meet the medical needs of the population living in the rural and urban areas of

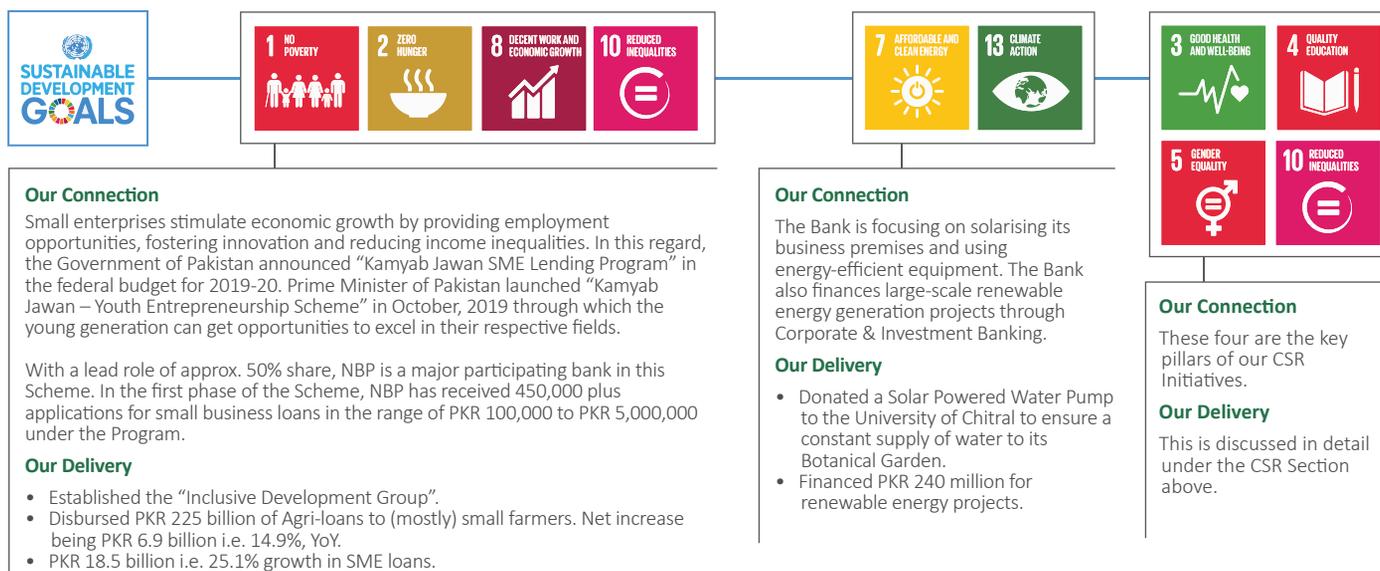
Pakistan. NBP, in partnership with various NGOs and institutions, arranges various medical and eye camps in remote areas of various province of Pakistan, and also helps in upgrading the infrastructure by providing financial and equipment support through concerned Patient Welfare Societies of various hospitals. This year, the Bank contributed PKR 11.8 million for better health of the communities. The initiatives were executed through renowned institutions, including:

- ◆ DHQ Hospital, Gwadar
- ◆ University of Chitral
- ◆ Aman Foundation, Karachi
- ◆ Waldain Memorial Free Eye Hospital
- ◆ The Patients Behbud Welfare (AKUH)
- ◆ Free Medical Camp at Wana, Karachi, Tharparkar



An Ambulance, equipped with portable oxygen equipment, cardiac monitor, paramedics & medicines, is donated to DHQ, Gawadar. Such ambulances are well-equipped to handle 80% lifesaving interventions & often handle critical cases.

Our key operations & areas of focus contribute to the UN Sustainable Development Goals



Education



NBP strongly believes that education plays a vital role in economic development and poverty alleviation. Pakistan urgently needs investment in excellent academic facilities for imparting skills amongst young people to help them utilize their highest potential. NBP has invested resources for the development of future generations and extended financial support for the construction of HUB School, KBSL, Aga Khan University, Habib University and IBA Karachi, Khan Abdul Wali Khan in Peshawar and Sukkur IBA. Rural area schools have been given books and furniture. To support NGOs like The Citizens Foundation School, NBP adopted one of the TCF Schools in Nawabshah. During the year, the Bank extended generous donations / sponsorship to various institutions throughout the county. This year, the Bank contributed PKR 6.3 million on this front. A few names to mention include:

- ◆ Namal College, Mianwali
- ◆ RIZQ Foundation, Karachi
- ◆ Govt. Boys Primary School Kankola, Peshawar
- ◆ IBA Accounting Club, Karachi

Women & Children



NBP provides support to different NGOs for vocational training to help the needy and poor women. The Bank has initiated a project called “NBP Empowered Women, Empowered Pakistan”. The core objective of this project is empowering women in Pakistan to sufficiently fulfill their daily needs as well as earn a healthy, respectable and socially acceptable form of livelihood. Our contribution on this front for the year amounted to PKR 4.35 million. This year, the Bank sponsored 100 combined marriages for poor and deserving individuals, mostly in the interior part of Sindh, Balochistan and South Punjab, arranged on 26 January, 2020 at Railway Ground Karachi. This year, the Bank arranged a vocational training camp for women in Thar, Sindh.

To educate special children with the aid of audio & visual electronic gadgets, and to improve the speaking power of special persons, NBP donated a TV for special children at Prof. Iqbal Memorial Welfare Trust.

To impart professional training, education and skills development for special persons, NBP provided 10 computers to the Pakistan Independent Living Centre.



Donation to Namal College, Mianwali



12th CSR Summit Awards 2020



9th CSR Summit Awards 2020



The Bank conducted a Free Medical Health Camp for the poor people of Thar. A team of Doctors and paramedical staff worked very hard in the remote area of Thar and provided treatment to women who are facing Gynaec problems. Similarly large a number of old-age people were also treated for eye ailments at Burki Chachro, Tharparkar.



NBP, with the help of a local NGO, conducted a Free Medical Camp for women in the suburbs of Karachi. The women living in underprivileged areas are facing difficulties in getting Antenatal Gynaecology, Eye, ENT and Dental treatment. More than 250 women and children visited the camp and most of the women were treated for Gynaecology-related issues.



Our Connection

We are encouraging our customers to migrate to paperless transacting channels i.e. online banking, mobile banking and e-statements. Migrating from paper-based annual reports to the digital medium is yet another initiative.

Our Delivery

- Launched Digital Banking Applications. This application is already serving 60,000+ customers.
- Migrated 12,000+ Annual Reports from paper-based to digital form.
- Launched EMV Debit Card.

Special Persons – Reduced Inequalities



Disability is not properly understood by various segments of society, and the disabled are not treated with respect. NBP, through its CSR initiatives, plays a vital role for special persons by providing them with opportunities to develop independence, confidence and fitness through participation in competitive sports activities. The Bank has organised cricket tournaments for blind and disabled persons. NBP also provides wheelchairs and tricycles. The Bank's contribution on this front for the year amounted to PKR 4.30 million. This year NBP donated 20 Motorcycle Rickshaws to the Pakistan Hindu Council for impoverished residents of Sindh, particularly the Disabled, to resolve their transportation problem as well as to help them earn their livelihood. Some of our key partners for facilitating special persons include:

- ◆ Pakistan Disabled Cricket Association
- ◆ Pakistan Hindu Council
- ◆ Pakistan Blind Cricket Council PBCC
- ◆ Pakistan Independent Living Centre

Solar-Powered Water Pump at Chitral - KPK

To provide a constant supply of water to the Botanical Garden at University of Chitral, a Solar-Powered Water Pump was supplied by National Bank of Pakistan. It will help to maintain the green environment of University of Chitral.

As a special project this year, the Bank is also arranging to provide 15 pre-fabricated homes at the cost PKR 7.5 million to the affected by the earthquake.



The objective of the Medical Camp was to provide healthcare services & medicines for needy people of the area. This noble cause gave relief to the war-effected people in this extremely remote area of KPK.



In collaboration with Kaus-e-Kazah Welfare Organization at District Tharparkar. Women of the area attended the skill training of Drafting, Cutting, Tailoring, Machine & Hand Embroidery, Knitting & Textile Designing. In the end, the Bank provided sewing machines to every participant so they can earn a livelihood for their families.



10th International Women Leaders' Summit



NBP donated 20 Motorcycle Rickshaws to the Pakistan Hindu Council for the impoverished people of Sindh, particularly the Disabled, to resolve their transportation problems as well as help them to earn their livelihood.



To provide a constant supply of water to the Botanical Garden at University of Chitral, a Solar-Powered Water Pump was supplied by National Bank of Pakistan. It will help to maintain the green environment of University of Chitral.

Groups Performance



NBP Ziarat Branch, Balochistan

Corporate & Investment Banking Group

CIBG accounts for nearly 54% of the Bank's Loan Book, and Facilitates 450+ Corporate Customers.

CIBG is one of Pakistan's leading financial services provider to top-tier multinational, governmental agencies/departments, and local corporate clients across the country, serving the changing financial needs of the nation's preeminent businesses.

The CIBG team leads transactions aimed at helping NBP's clients succeed. The continuous support our expert CIBG team provide their clients ripples throughout Pakistan's economy; creating jobs and providing financing for growth and investment, both domestically and across the globe. CIBG team possesses best-in-class local and international expertise required to effectively serve its clients now and well into the future.

CIBG doesn't only maintain the largest loan within the Bank, but is also the largest provider of corporate credit in the Country. With total funded and non-funded approved facility nearing PKR 1 trillion, CIBG share in the Bank's total loan book is around 54%.

As of September 30, 2019, NBP had around 12% share in the total Banking sector's gross advances. The Bank's Corporate advances share stands tall in the banking industry, as well as, around 9% of the total Corporate advances have been booked by NBP.

CIBG is also the only Bank having won more than one mandate for Privatization which are as follows:

- I. Financial Advisor to Privatize First Women Bank Limited
- II. Financial Advisor to Privatize Heavy Electrical Complex

In 2019, CIBG closed several major deals, including:

- I. Issued a performance Guarantee of PKR 1,326 Billion in favour of the major contractor M/s Descon Engineering Limited for execution of job under Mohmand Hydro Power Project (MHPP).
- II. Extended an Import / Inland Letter of Credit (sight) Facility of up to PKR 5,600 mn, and a Demand Finance facility of PKR 5,245 mn to M/s DG Khan Cement Ltd for Waste Heat Recovery Plant and Coal Fired Power Plant and a 10 MW Waste Heat Recovery Plant and a 30 MW Coal Fired Power Plant.
- III. Extended a funded working capital loan of PKR 2,000 mn and an import LC of PKR 3,000 mn to M/s Utility Stores Corporation, a state-owned company that runs around 6,000 retail stores throughout the country that provide basic commodities to the general public at subsidized prices.

Other notable transactions for the year 2018-19 are as under:

- I. Participated in a syndicated term loan of PKR 55bn for Lucky Electric Power Company Limited
- II. Extended Syndicated LC Facility of USD 818mn to Punjab Thermal Power Limited
- III. Mandated Joint-Lead Arranger for Syndicated Term Finance Facility of PKR 28bn in favour of Siddiqsons Energy Limited with NBP participation of PKR 14bn

IV. Participant in a syndicated term loan of USD 100mn for Bow Energy Resources

V. Mandated Lead Advisor and Arranger of Syndicated Term Loan of PKR 2.9bn for Javedan Corporation Limited with NBP Participation of PKR 1.9bn

By combining our expertise in three areas, namely Corporate Banking, Investment Banking, Transaction Banking (Cash Management & Trade Finance), CIBG is well-positioned to cater to the growing banking and financial needs of all our diversified corporate customers and Government entities.

Total Advances (Loans, TFCs etc.)
PKR 615 Billion +8.3% YoY

Corporate Centres
-Karachi -Lahore -Islamabad
-Faisalabad -Multan

Business Lines
- Corporate Banking
- Investment Banking
- Transaction Banking
 (Cash Management & Trade Finance)

20% Contribution
to the Total Assets

NBP financed along with a consortium of banks, several large scale wind power plants in the Country further emphasising its commitment to renewable energy and green financing.

Picture: Jhimpir, Sindh

Inclusive Development Group

IDG has been set up to focus on NBP's Commercial, SME, Agri and Housing Finance Product Suite, as well as managing the CSR activities. The need to establish IDG stems from NBP's strong commitment to contribute to the economy by focusing on key sectors of the GDP which are underserved financially and have little access to financing. IDG is mandated to focus on priority sector lending activities to make impact on country's developmental requirements and have pivotal role in employment generation, poverty alleviation and macro / micro-economic development of Pakistan and is also tuned towards focusing on Women Empowerment, as well as focusing on environmental issues faced by the country.

Performance-2019; Plan for 2020

1. Agriculture Wing

- The year 2019 was another successful year as far as Agriculture Financing is concerned; National Bank not only consolidated its leadership position in Industry but also won the award for "Best Bank in Agriculture Financing". During the year 2019, the Bank's Agriculture portfolio grew by 18%.
- Out of total 1,448 domestic online branches, 875 are involved in catering to the needs of farmers while it offers complete range of commercial banking services to farmers. During 2018-19, NBP disbursed PKR 225 billion to farmers, most of them are small farmers, and as of 31st December, 2019 NBP's outstanding portfolio was standing at PKR 55.1 billion serving nearly 207,000+ families in the country.

2. SME Financing Portfolio

- Increasing the existing utilization of SBP Schemes to provide competitive SME financing opportunities to get benefit from NBP massive outreach.

- Revamp of existing Product Development Area in order to have couple of new innovative products in 2020.
- ### 3. Commercial Financing Portfolio
- Repositioning of staff/ skill resources as per potential of vicinity in order to better cater the needs of business community of that particular area.
 - Explore the target market according to business opportunity of respective areas.

excel in their respective fields.

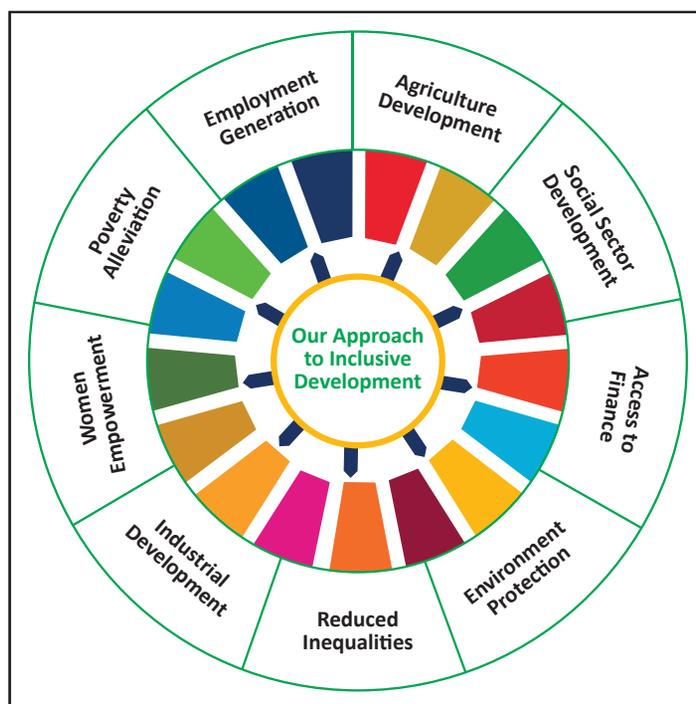
- National Bank of Pakistan (NBP), Bank of Punjab (BoP) and Bank of Khyber (BoK) are nominated as participating banks for this Scheme. NBP is given the lead role with 50% share. In the 1st phase of the scheme, NBP has received 450,000+ applications. Government of Pakistan is providing mark-up and credit loss subsidy on small business loans in the range of PKR 100,000 to PKR 5,000,000 disbursed by banks under the program.

5. Saibaan (Housing Product)

- The Saibaan was launched in year 2003 with initial portfolio of PKR 9.31 million with 12 accounts in first year, subsequently the portfolio size increased to PKR 11,919.37 million disbursement with 6,370 accounts up to 2008. Existing portfolio size is PKR 2,047.74 million outstanding with 1,352 accounts as of December 2019.

- Bank is reorienting its Mortgage Financing Product to cater the needs of Middle and Low Income house buyers. Major initiatives are being taken for corporate agreements with different institutions and Provincial Government of KPK for their employees.

- Furthermore, formulating products to cater Low Cost Housing Finance as well as for Special Segments as per Regulations of SBP are underway.



- Deepening and further explore the Commercial financing opportunities to get benefit from NBP massive outreach.

4. Kamyab Jawan – Youth Entrepreneurship Scheme (YES)

- The Government of Pakistan has announced "Kamyab Jawan SME Lending Program" in the federal budget for 2019-20. Prime Minister of Pakistan launched Kamyab Jawan (Youth Entrepreneurship Scheme) on Oct. 17th, 2019 through which young generation can get opportunities to

Retail Banking Group

2019 was a remarkable year for the Group. Keeping in view the vision of the management, late in the year 2019, the group went through restructuring both at the Head Office and Field Level for a more concentrated approach towards retail and consumer segments and emerged as a Retail Banking Group (RBG). However, RBG responsibly ensured growth and achievement of all targets assigned to RBG for the year 2019.

In the year 2019, RBG recorded tremendous growth in all sectors and posted an aggregate growth of 7.1% YoY on Asset side and 11% on the deposit side. The group maintained CASA ratio of around 86%. The Bancassurance business booked historical high volume of PKR 1.1 billion and earned the commission Income of around PKR 355 million.

RBG shoulder the responsibility with its partner group to meet the SME, Commercial, Agriculture targets of the year 2019. Under SME business, the group made 9.5% growth in performing while reduced NPLs by 9.20% on YoY basis and exceeded by 12.6% against the NPL targets. In Commercial finance the group made 71% growth in regular portfolio. Despite the challenge of wheat procurement in Sindh, the Commodity Finance posted 4% increase against assigned targets. Agriculture portfolio also witnessed growth of 16% on YoY basis. Based on these outstanding results, during the year, the Bank

earned one of the most prestigious ranks as Best Bank for Agriculture Award organized by the Institute of Bankers of Pakistan. RBG has also earned this accolade of being the only consumer portfolio in the industry having crossed the PKR 108 billion mark and enjoys more than 50% of the entire personal loan industry.

RBG market its products through the entire branch network of the Bank. RBG managed variety of products by managing two aspects of balance sheet, i.e. liabilities (deposits) and Consumer Finance and takes pride in serving numerous public sector institutions. Post restructuring both at the Head Office and Field Level the new group (RBG) is primarily responsible for liability, consumer assets management, new retail product development, introducing variants of existing liability and consumer products, new outlet segmentation and opening along with rationalization of existing branches.

RBG under the new structure will continue its progression and is well positioned to take advantage of its large and strategically dispersed branch network to maintain existing clientele, attract NTB customers and to offer existing product range, as well as upcoming products and services to the general public.

Serving Across
the Nation
7+ Million
Customers

Nationwide
Branch Network
1,500+ Branches

Largest Rural
Branch Network
750+ Branches

Largest Lender
to Agriculture
PKR 225 Billion
disbursed to farmers

Awarded Best
“**Agriculture Bank**”
in Pakistan Banking
Awards 2019 – 2020

Treasury & Capital Markets

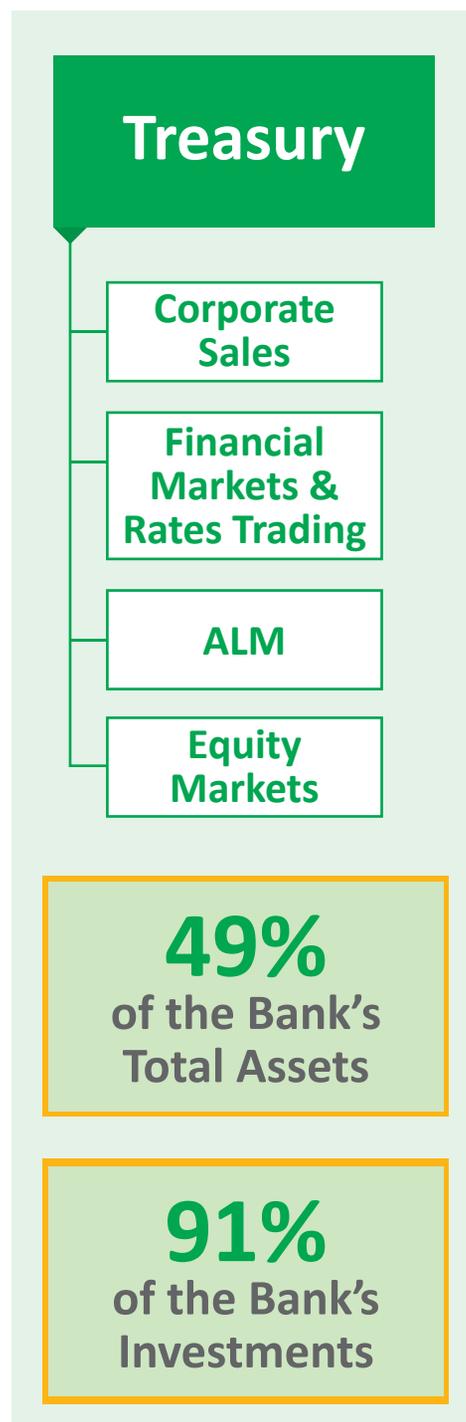
TCMG plays a pivotal role in managing the Bank's liquidity position, as well as foreign exchange and investments portfolios for optimal utilization of funds, consistent with the Bank's strategy vis-à-vis global and domestic market outlook, currency volatility and interest rate movements. The group has traditionally made sizeable contributions to the Bank's bottom line by posting capital gains through transactions in government securities and equities. It continues to be a market maker and market leader both in the Foreign Exchange and Fixed Income Market and once again posted substantial FX gains in 2019.

To effectively manage the liquidity in line with Bank's overall strategy and to contribute towards the overall profitability, TCMG performs as a custodian of NBP's investment book of more than a trillion rupee. TCMG has recently transformed from the traditional transactional focus to proactive, broad strategic decision making role which contributes to both enhancing relationships and margins.

TCMG have effectively managed the Bank's foreign exchange book and investments in money and capital markets along with managing the underlying margins and mismatches in assets and liabilities. TCMG have made steady progress in further strengthening our controls and compliance environment by focusing on people, culture and systems. One of the key aspects of our approach is the improved and enhanced coordination with other business groups within the organization that gives it a holistic view and this has actually led to better internal and external relationships leading to a positive contribution on the overall bottom line of the bank.

Key Achievements for 2019

- 1) Amidst extreme volatility in the FX market ensuing from substantial depreciation of Pak Rupee against the greenback during the year, the FX desk clearly beat both the entire market and peer banks by posting a phenomenal profit by anticipating market movements accurately and calibrating its position accordingly.
- 2) Despite a tough year on economic front marked by stabilization measures and sharply rising interest rates, the fact that NBP is rated amongst the top three performing primary dealers in the country by the State Bank of Pakistan bears testament to our expertise in meeting PD targets, active market making and dynamic contribution in price discovery of fixed income securities and meeting the expectations and investment needs of our diverse clientele.
- 3) Successfully implemented Regional Treasury setup at Islamabad.
- 4) Strengthened the core sales team which is now better equipped to undertake new businesses and become a one-stop solution for our diverse clientele along with enhanced focus to tap export clients.
- 5) Initiated FI sales awareness program at branch levels across the country. In line with the SBP objective of Financial Inclusion, the Treasury has restructured and streamlined its IPS procedures / guidelines to focus on retail clientele.



International, Financial Institutions & Remittance Group

International Operations

With International Branches / Offices in 19 countries, NBP is one of the largest International franchises amongst Pakistani Banks. Our focus is on Trade Finance, Syndication, LC confirmation, FI business, Correspondent Banking and Remittances Business. Our International operations comprise of 21 branches spread over North America, Europe, Far East, Asia, Middle East and the only Pakistani bank having three Branches in Central Asia and two fully owned subsidiaries in Central Asian countries.

NBP Home Remittances

Home Remittances play a vital role in the economy of developing countries. Over 10 million Pakistani emigrants (globally 258 million) are currently working abroad; majority of them working in the Middle East. The money remitted by overseas Pakistanis have a substantial impact on economic development, poverty reduction and financial stability for the nation. Home Remittance is the second largest source of Foreign Exchange for Pakistan after exports. Pakistan currently stands as the 7th largest remittance receiver in the world. As the Nation's Bank, NBP has always been on the forefront to facilitate the Remittance Customers by offering them innovative products and unmatched service.

IFIRG continues to provide fast, convenient and reliable Home Remittance services to its customers with

one of the largest branch network of 1,500+ online branches covering cities, towns, villages, as well as the most remote regions of Pakistan. This vast branch network gives NBP the edge over other regional banks in the country. All these branches are "Remittance Ready", meaning that customers who receive their remittance from abroad can visit any of these branches and collect their payment without any hassle. Similarly, remittances received as "Account Payment" are transferred into the customer's account without any delay and are available to the customer through a 24/7 ATM.

IFIRG is actively working to diversify and expand its remittance distribution network to facilitate the remittance customers. As part of this strategy, NBP have recently partnered with Pakistan Post giving NBP the largest network for remittance payment locations in the country. Transactions sent to NBP can now be collected at around 500 authorized locations of Pakistan Post.

For the intending emigrants, NBP has partnered with the Bureau of Emigration and Overseas Employment (BEOE) to provide its customers with a real-time account opening of "Worker's Foree Remittance Account". These remittance accounts can be used by the families of the intending emigrants to receive the remittances eliminating the need to visit the branches to collect cash.

IFIRG is enabling the Bank to play an important part in curbing illegal money transfer businesses by actively educating Remittance customers. In line with the Government's objective and realizing the importance of remittances for the country, NBP has always strived to provide the best service to its customers.

21 International Branches

3 Continents **19** Countries

20% YoY Growth in Home Remittances

700+ Correspondents

Connecting you to opportunities across the Globe



Japan



Hong Kong



Bahrain



Germany



Tajikistan



Pakistan



USA

The Bank has Branches in these Countries.

NBP Aitemaad Islamic Banking Group

Alhamdulillah, NBP Aitemaad Islamic Banking converted into a profitable business despite pursuing an aggressive branch network expansion in the past.

For the year ended December 31, 2019, NBP Aitemaad Islamic Banking posted a pre-tax profit of PKR 2,039.14 million as compared to a loss of PKR 57.15 million in December 31, 2018. This improvement was due to volume growth in earning assets along with increase in low cost deposits and a one-off provision reversal of PKR 86 million during the year. Further increase in policy rate, conversion of FRR Sukuk into high yield Bai Muajjal and a single large current account deposit also contributed to profitability of NBP Aitemaad Islamic Banking.

NBP Aitemaad Islamic Banking continued its growth momentum, whereby during the year, deposit base grew by 24.03% from PKR 51.02 billion in December 31, 2018 to PKR 63.28 billion in December 31, 2019. NBP Aitemaad serviced a customer base of 144,658 in 2018 which increased to 158,412 in December, 2019. NBP Aitemaad serves its customers through 190 branches with presence in 90 cities across Pakistan.

Home Remittance transactions also increased by 44.94% to 333,365 for the year ended December 31, 2019 as compared to 230,000 in the previous year. In addition, various Shariah-Compliant Bancatakaful products with EFU LIFE Hemayah and Jubilee were launched.



NBP Aitemaad Islamic Banking investment and placements (under Bai-Muajjal) increased from PKR 25.33 billion in December 2018 to PKR 30.84 billion in December 31, 2019 recording a 21.75% growth.

Financing portfolio, net of repayments, increased from PKR 26.83 billion in December 2018 to PKR 33.88 billion in December 2019, growth of 26.27%. The Financing portfolio mainly comprises corporate customers located in Karachi, Lahore, Islamabad and Multan. Strategy is to continue to book top-tier corporate customers.

Alhamdulillah, in 2019, NBP Aitemaad Islamic Banking entered the digital age by introducing EMV Debit Card wherein customers can perform local cash withdrawal and balance inquiry via ATM in a secured manner. In addition, there is a range of product offerings; twelve Deposit products and seven financing products. A number of new innovative products are under various stages of development and expected to be launched soon.

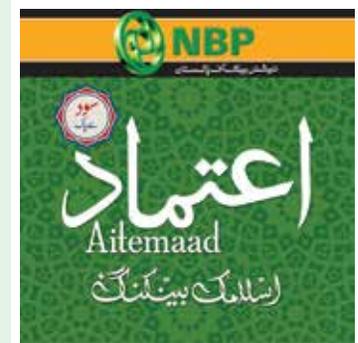
Consequently, total assets of AIBG increased from PKR 59.08 billion in December 2018 to PKR 76.05 billion in December 2019 recording significant growth of 28.72% for the year ended December 31, 2019.

190
Branches

Deposits +24.0 %
PKR **63.3** Billion

Advances +25.7 %
PKR **34.1** Billion

Customers +10.0 %
158K



Technology & Digitization Group

T&DG is comprised of Digital Banking, Technology Infrastructure, Project Management Office, Business Technology Transformation, and Technology Operations Divisions.

In 2019, the Bank reinforced its commitment to Digital Banking merging the Digital Banking & Product Development and Information Technology Groups creating the Technology and Digitalization Group (T&DG) to further its mandate of catalyzing disruptive innovation and change delivered through our products and services to our customers across the nation.

Some of the initiatives T&DG delivered in 2019 include the rollout of high security EMV Debit Cards, launch of UPI GoLootlo POS discounts, biometric account activation, various global remittance systems, online collection of government, provincial and municipal authority dues through alternate digital delivery channels, on boarding of payment mandates for quasi-government organizations and institutions, FATCA and CRS reporting, automation of OFAC Sanctions, PEP and Transaction Monitoring, bulk IBFT for dividend payments and enhancements to systems and solutions deployed in NBP's international offices.

NBP has launched UnionPay's first Virtual Card in Pakistan for its Mobile App Users, now customers can issue / add Virtual Card in their Mobile App and perform QR Code Payments at merchants, other features like Biometric / Touch ID Login, Pay2CNIC Transaction, P2G Payments have been recently added in the suite.

Recently, NBP has launched QR Payments and E-commerce campaigns on its Union Pay International (UPI) Virtual Card which an NBP User can issue through their Mobile Application and can use the same for QR Payments & E-commerce transactions for online shopping. API Management Platform – Google APIGEE is an externally funded solution on-boarded by NBP. It allows the Bank to expose multi-channel and multi-institution APIs to external and internal channels with minimum development, enable internal channels and external partners (JazzCash, EasyPaiza, UBL Omni etc.) with single point of interface for P2G Mandates like BEOE, KP-PSC, Passport Fees, etc. Strategic Partnerships with EasyPaiza, Pakistan Post Office and Zong Paymax have been established to enhance NBP's Digital presence across the country. This partnership has made NBP the interoperable disbursement and collection solution provider. Now NBP has access to about 200,000 branches banking agents across Pakistan.

During this year, the Group continued strengthening Information Security, Internal Control and Cyber Security measures and established robust Technology Governance and Risk Management structures including ongoing Executive and Board oversight. T&DG also continued enhancing processes, procedures and policies as part of its ongoing mission of continuous improvement delivering a consistently higher quality of service to our stakeholders, both, internal and external.

2019 continued to see robust investment in our applications and infrastructure portfolio to cater to evolving market demand and to drive agility and resilience across our portfolio of products and services.



24/7

NBP Digital was launched in 2018, but has already been downloaded by more than 60,000+ customers. NBP Digital is available 24/7 and empowers our customers to execute most of their transactions online, meaning customers can always get a response in seconds, whatever the time of day. It provides our customers with the complete suite of transactions including Funds Transfer, Inter Bank Funds Transfer, Bill Payments, Air Time Top-up and Government Payments in the first phase. And the more the transactions it executes, the more efficient it gets.

This 24/7 approach to customer service and continued improvements in our App's features are resulting in great customers' feedback with a **4-Star** rating.

Not bad for a 2-years old!



Now loaded with advance digital services
QR/NFC Payments & Pay2CNIC

HR Management Group

Strategic Human Resources is about harnessing human potential and channelling it towards the achievement of the organization's mission, vision and strategic goals. In 2019, HRMG focused on fostering a solid company culture, regularly updating policies and regulations.

The foremost task currently underway at HRMG is the restructuring of the Group into more effective Centre of Excellence (CoE) and Human Resource Business Partner (HRBP) Model. Used across the world in large successful organizations, the HRBPs align HR with the Bank's various businesses and their requirements. These HRBPs and their teams are assigned to business groups as partners. Led by Divisional Head, CoE encapsulates all the core specializations of HR divided into 5 areas namely Talent Acquisition Organizational Effectiveness, Compensation & Benefits, Learning & Development and Employee Relations.

Recruitment was a great focus this year with hiring of top-tier management, as

well as lateral hiring across a range of functions taking centre stage. An important milestone for the recruitment team was the fast track hiring of Cash Officers and General Banking Officer within one week for the Kartarpur Corridor, aiding the Pakistani Government in its quest for Peace.

Training has always been an important HR function for the growth of the Bank and this year was no exception. HRMG trained over 20,000 employees in 1200 organized courses and had over 500 Executives and Officers externally trained through reputed Institutions. Training Need Analysis (TNA) exercises were also conducted and low performing employees were specifically targeted for improvement. HRMG introduced E-Learning to the Bank this year with the purchase of a Learning Management System (LMS) and launched its E-Learning Courses through a Web Portal. Keeping traditional classroom learning in mind, Staff College Multan was also established this year.

The Learning & Management Development Division aims at developing human capital to achieve organizational objectives. We are striving to cater training needs of individual employees as well as organization for improving operational efficiency and developing leadership embarking future challenges of the organization. In view, during the year 2019, overall 23,162 employees were imparted training, 21,000 employees at Staff Colleges & JNMDC, 500 executives/officers externally through reputed institutions and more than 1500 through E-learning. This includes, specialized training on achieving excellence, for female employees, Customer service and regulatory compliance, performance improvement program for low performers, trainings on PCP-response, core banking applications, etc. Besides, three programs conducted as Non-Financial Advisory Services for promoting SMEs at Multan and surrounding areas.

Compliance Group

Compliance function at NBP continuously strives for improving the compliance environment and minimizing compliance risk for the institution through independently assessing compliance risk, and evaluating Banks Internal Controls for adherence to applicable laws, rules and regulations, including identifying compliance issues and independently reporting on the state of compliance activities across the institution.

Accordingly, the NBP's approach towards the management of compliance risk is further strengthened under the support of Compliance Committee of Management with zero tolerance towards regulatory requirements. The Bank is committed to the best industry practices for compliance with all regulatory frameworks including anti-money laundering practices, so that the interests of all stakeholders are

protected. Further, Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice.

The compliance Group has successfully implemented SafeWatch (Name Filtering Solution) and transaction monitoring system, Financial Crime & Control Management (FCCM), as one of the top ranking systems in the world. In addition, we have also appointed a team of experienced professionals in order to timely process AML alerts. At present, transactions monitoring, know your customer and case management modules are functional in FCCM.

The Sanction Screening processes have also been enhanced by integrating the Sanction Screening System with different applications of the bank for customer on

boarding and legacy customer screening, etc. Bank has also implemented Fircosoft watchlist filtering solution at NBP US Operation. Fircosoft is the recognized market leader of watchlist filtering solutions. Compliance Group assigns highest importance to training and developmental activities of all bank personnel on KYC, AML and Sanctions and it is making continuous efforts in its pursuit of capacity building and knowledge development of all bank staff through Face-to-Face and Online Trainings.

Compliance Group is dedicated to create value for both internal and external customers whilst meeting its regulatory obligations. Thus, Compliance Group will continue its strive to uphold a strong compliance culture representing Bank's core values through development of its functions and personnel.

Risk Management Group

Risk Management Group (RMG) is proactive in identifying, assessing, monitoring and controlling the risks associated with Banking Business. RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk & Compliance Committee (BRCC).

The Bank follows a prudent path to risk management through developing / using effective tools to keep the Bank resilient, achieve corporate sustainability and minimize losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management are to maintain a robust framework, identify and escalate risks and support sustainable business growth. RMG acts as a second line of defense in overall risk management structure of the Bank, assuming the role of establishing overall risk management framework, development of tools and systems for effective risk management, risk oversight along with review and reporting of deviations of activities from set standards, to Senior Management / BoD.

RMG has achieved many milestones during the year with the aim of continuous improvement in risk management practices through introduction of new methodologies based on sophisticated tools. Few key achievements during the year include:

Credit risk; the major risk borne by the Bank has been the focused area in terms of better quantification, assessment and monitoring outlook through the

development of Statistical Risk Rating Model, Implementation of Scorecards for Consumer Products such as NBP Cash & Gold and its automation on portal, development of Desktop Retail Portfolio Review and Overseas portfolio review dashboard and system updation to capture risk ratings.

Market risk; is the critical risk from the perspective of better risk and return decision in the Bank; therefore, the designing and implementation of VaR Limits along with devising mechanism for foreign currency gap monitoring have been incorporated in the processes of the Bank. RMG has also strengthened Liquidity and Interest Rate Risk Monitoring Mechanism. Moreover, Market Risk Management Framework, the policy document which comprises of several Market Risk Related Policies and Frameworks like VaR, Back Testing, ALM, IRRM, and MRM Desktop Manual.

Operational Risk; which is managed through an Operational Risk Management Framework approved by the BoD. This framework includes aspects related to, Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs) and Loss Data Management. As part of its efforts to improve the Operational Risk Management, the area has been involved in the updation of the Risk & Control Self-Assessment Templates, and review/ updation of ORM Tolerance Limits.

Information Security Risk; for better awareness, assessment, and confronting the emerging IT related risks related to

increased adoption of IT based systems; Bank has revised the Information Security Policy backed by developing acceptable use of IT Resources Guidelines. Several information security governance initiatives such as development of Information Security Risk Management Framework Cyber-Security Framework and is Incident & Forensics Management Framework to ensure compliance of regulatory requirements. An Information Security Portal on intranet has been developed providing real-time access to the Bank's information security related policies, guidelines, alerts and advisories.

Online Learning Management System on information security and cyber-security for all employees of the Bank has also been launched. Furthermore, review mechanism has been introduced for all the new in-house developed or acquired application in order to adequately identify, mitigate and monitor information security risks.

Capital Adequacy; for better managing capital planning under the Internal Capital Adequacy & Assessment Process, and to further enrich risk assessment, monitoring, and forecasting process, RMG has added statistical tools for robust quantification of the residual risks to ensure accuracy in the overall process. Credit Administration; RMG has taken the initiatives to enhance its existing functionalities through finalization of CAD Manual, initiative has also been taken for acquiring CAD software / collateral management system in collaboration with ITG.

Audit & Inspection

The Bank has an independent internal audit function to primarily undertake the Internal Audit and Risk Review throughout the Bank. Internal Audit function at the Bank is performed by the Audit & Inspection Group "A&IG".

A&IG conducts audits and risk review of various areas of the Bank, and provides assurance that is critical to the Board and the Management of the Bank in assessing overall strength of the Bank's control & compliance environment. A&IG assists the Board Audit Committee in effectively

discharging its responsibilities of oversight over financial reporting, internal controls, internal audit, and external audit of the Bank. A&IG also plays an important consultative role in developing various policies & procedures of the Bank.

Centralized Operations & Administration Group

The Centralised Operations & Administration Group (COAG) has been established recently with a view of bringing operational efficiencies and effectiveness in processes, and governance at both, Head Office as well as the branches. The centralisation of NBP's Operations is critical to creating a strong second line of defense and managing chronic control issues. The COAG consists of four sub-groups:

1. Retail Operations Group
2. Corporate Operations Group
3. Logistics Support Group
4. Service Quality Group

Achievements & Initiatives of the CoAG are discussed briefly as follows:

Operations

In order to bring efficiency in overall operational environment of the Bank, the Operations Group has taken multiple initiatives to strengthen and improve upon back office functions. Some of the salient initiatives taken by the Group in various discipline(s) include:

- Development and implementation of Government Business Module (GBM), improving overall settlement process of government receipts / payments.
- Conversion of legacy pensioners into Direct Credit System (DCS) in line with Federal / Provincial Governments decision.
- The Group in coordination with stakeholders developed SoPs in respect of new storage mechanism for Gold Financing Scheme.
- In coordination with SBP Banking Services Company, a proper mechanism has been established for sale of Premium Prize Bond.
- Several policies have been updated / renewed by the Group during the year including Locker Policy, Schedule of Charges, etc.

Logistics Support

LSG has played an important role in arranging and facilitating in purchase, rental, construction and renovation of properties, as well as procurement and installation of electrical and office equipment. In 2019, LSG launched its Digital Help Desk (Portal Based System), which gives direct access to its all internal customers to log their support requests, with its tracking. It is one window easy access into LSG.

- 'Ticket Management System' a software application which allows the bank-wide users to raise their requests relating to different LSG services originating from all areas and levels across Pakistan.
- 'Engineering Management System' helps Head Office and field functionaries to view live status of ongoing and completed engineering and maintenance related projects.
- 'Property Management System' enables all Head Office and field functionaries to view records of bank owned and hired properties. It is a sound MIS system which provides details of all NBP Properties including owned / hired, with date, rental cost, area, purpose, etc.

For 2020, LSG plans to introduce following:

- Document Management System
- Remote Fuel Monitoring System
- Print Management Services
- Construction of JNMDC

Service Quality

SQG has undertaken various measures as strategic responses for ensuring a sustained improvement in physical layout and customer friendly ambiance at branches. To maintain and ensure customer facilitation and bring an impactful change in service culture of the Bank, 'service quality officers' have exclusively been deputed for customer loyalty and satisfaction. Special attention is paid to improve customer understanding and knowledge in respect of changing regulatory environment, potential risk of frauds, and safeguards / precautionary measures against card skimming. During the year 2019, a total 93,682 complaints were received and the Bank has taken appropriate measures to promptly achieve 96% resolution rate. Our call center is becoming an effective tool in responding to customers queries, particularly in respect to new products and services, and government sponsored schemes for youth business loans (such as PM's Kamyab Jawan Program). As a result of our focused approach with alternate power supply solutions, improved operational effectiveness, and efficient surveillance, NBP ATMs uptime has significantly improved, and the volume as well as number of transactions have reached new heights.

Financial Control Group

FCG plays a quite varied and important role towards the Bank's corporate strategy, financial reporting, financial planning, taxation, external audit & assurance, investor relations, regulatory & management reporting, and compliance related to financial reporting.

As a support to the executive management and the BoD, FCG produces various MIS packs on a regular basis presenting periodic performance evaluation of the Bank and its various business units. During 2019, the Financial

Control Group contributed towards improving the Bank's financial planning and policy framework through preparing an Annual Budget and updating various policy & procedures.

FCG is further enhancing its role as a business-partner to other Groups by providing valuable information and analysis at segment / product level. As the Bank's extension towards external stakeholders, FCG's Investor Relations Wing is working for better corporate image of the Bank in the financial

communities, i.e. shareholders, equity analysts, financial journalists, credit rating agencies, etc. Actively pursuing the taxation affairs, FCG arranged various workshops on filing of income tax returns. As part of the cross-functional team, FCG has standardised chart of accounts of the bank and blocked various old & redundant GL accounts for posting. Further, FCG is also actively liaising with other Groups for timely & effective implementation of ICFR.

Credit Management Group

In 2019 Credit Management has successfully completed 17 years as a separate function. Historically credit marketing, as well as credit approvals were under one division. However, based on the principles of dual check and specialization, and to enhance focus on business and profitability growth without compromising on prudence, a separation between business initiation and risk assessment roles was envisaged. Since its inception CMG has been fulfilling its main strategic goal of supporting / assisting Business Groups by formulating policy guidelines and offering credit solutions to credit requests thus helping achieve both credit targets and asset quality.

CMG has achieved various milestones since its establishment. It revamped the Credit Policy Manual in 2007 which is a comprehensive policy document and guidelines for credit management through the whole credit cycle. CMG also formulated seasonal financing policies (wheat, rice, and cotton) after reviewing current market dynamics which has resulted into remarkable achievement of keeping NPL ratio in seasonal financing portfolio to a very low level. The Group is aiming at to revise and revamp the Credit Policy Manual by bifurcating it into separate Policies and Procedural manuals each for corporate / commercial and SMEs.

Credit Monitoring is an important credit function. CMG has separate Wings dedicated to Monitoring of Overseas Credit, Domestic Credit, and Project Monitoring Wing. Number of initiatives are being taken to take credit monitoring to the next level. First and foremost is the automation of system, being pursued with utmost vigor in coordination with other stakeholders with positive results. Scope is being expanded to bring into fold some crucial areas to indicate significant trends in business to senior management. Focus on early watchlist / watchlisting framework has also been enhanced.

Legal Division

The recent year posed numerous Legal Challenges to the banking industry at large but especially to the National Bank of Pakistan mostly because of the enhanced internal challenges, as well as the increased activity of the apex courts. However, in this duration NBP has efficiently managed the Legal Risk by augmenting the overall control environment and professional legal resourcefulness.

The Legal Division has also conducted a comprehensive pan Pakistan review of its Litigation portfolio, and as a result has

taken measures to expedite the disposal of cases, especially the ones with strong merits. Moreover, the Regional Legal division's setup proved instrumental in filing and disposal of high number of litigation cases.

The Division has also taken up the coordination role for across the Pakistan Ombudsman related affairs, which has resulted into an improved representation, both in terms of attendance and quality, as the same has been acknowledged by the different Ombudsmen Offices. Also, dedicated efforts have been made to

improve the Bank's liaison with the external law enforcement agencies through dedicated intra-bank support to concerned personnel / departments and thereby ensuring prompt and accurate compliance.

There are significant number of legal advisory related assignments being handled so far by utilizing only in-house legal resources including contract vetting / drafting, legal opinions and unprecedented legal product documentations, and therefore have ensured significant cost savings.

Shariah Board's Report NBP Aitemaad - 2019

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى اله وصحبه اجمعين اما بعد

The Board of Directors (BoD) of National Bank of Pakistan (NBP) have entrusted the Shariah Board (SB) with the task to assess the overall Shariah compliance level and environment within NBP Aitemaad Islamic Banking. The objective of the report is to present a view about the overall Shariah compliance level and environment within NBP Aitemaad Islamic Banking.

In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2019.

Shariah Board Opinion:

While BoD and Executive Management are solely responsible to ensure that the operations of NBP –Aitemaad Islamic Banking are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of NBP – Aitemaad Islamic Banking.

To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal and external Shari'ah audit. Based on above, we are of the view that:

1. Compliance with Shariah Rules and Principles in the light of Fatawa and Guidelines issued by Shariah Board (SB):

Shariah Board is of the opinion that the NBP Aitemaad's overall environment, products, and agreements comply with the Shariah principles.

2. Compliance with Shariah related directives, regulations, instructions and guidelines issued by State Bank of Pakistan (SBP) in accordance with the rulings of SBP's Shariah Advisory Committee:

On advice of SB, the management has ensured zero tolerance on Shariah non-compliance instances and added an exclusive objective of ensuring Shariah Compliance as one of the Key Performance Indicator (KPI) in staff appraisal system in 2019. However, inclusion of zero tolerance on Shariah non-compliance in HR policy is due by HRMG.

3. Shariah Compliance Mechanism:

Alhamdulillah, NBP-Aitemaad Islamic Banking already has in place a comprehensive Shariah Compliance Policy developed by SCD and duly approved by BoD. Based on the concept of continuous improvement, SCD has further upgraded several Shariah Compliance checklists based on the experiences gained time to time and to incorporate SB recommendations and SBP guidelines. It helps to analyse and identify weak areas and suggest relevant controls. Further in order to ensure and measure staffs' basic level of Islamic Banking & Finance understanding, SCD has developed a set of test papers to be used during Shariah Compliance review (SCR) of branches. It also helps to assess the staff understanding and awareness level for Islamic Banking & Finance and their training needs.

4. Mechanism ensuring prohibited Income to Charity Account:

NBP-Aitemaad Islamic Banking has a well-defined Charity policy approved by NBP Shariah Board and BoD. NBP Shariah Compliance Team conducted review of executed transactions to ensure their compliance in lines with the SB's approved processes and guidelines. In addition, all other income generating sources including investments and treasury transactions are reviewed by SCD.

During the Shariah Review of financing portfolio, no any non-Shariah compliant transaction was found. Therefore, no income was declared as charity in 2019. However; the charity from previous year(s), amounting to PKR 2,000,000/= (Rupees two million) has been disbursed in 2019 to charitable institutions.

5. Profit and Loss Distribution and Pool Management:

NBP Aitemaad Islamic Banking has an exclusive Pool Management Wing with suitable human resource in place ensuring Shariah compliant pool management in line with a comprehensive Standard Operating Procedures (SOP) ensuring transparency in the working prior to distribution of profit and loss. Further SCD has also been reviewing Pool Management & Profit Distribution during the year in line with instructions issued by SBP. Moreover, internal Shariah audit of pool management has been conducted on quarterly basis, which further improved the control process of pool management and profit & loss distribution and strengthened the compliance of Shariah guidelines.

6. Staff understanding of Islamic Banking and Finance:

Alhamdulillah, the Bank imparted basic Islamic Banking & Finance training sessions to abreast them with Islamic Banking basic concepts where four hundred and fifty seven (457) staff attended 23 sessions during this year. In the year 2019, the Bank has developed the e-learning course based upon "Riba & Interest" keeping in view to enhance e-learning of Islamic Banking. The Bank has also developed a course titling "Customer Services Management in Islamic Banking" which covers the training of customer services with respect to Islamic ethics and ethos in Islamic finance.

The Bank, has arranged 9 customer awareness sessions across different regions as part of its Islamic Banking promotion initiatives.

The bank has also nominated its Shariah Compliance Officers for AAOIFI Shariah Standards course and Refresher Course on Certified Islamic Professional Accountant (CIPA) Course at renowned Business Institute which enhanced their Shariah sanity and compliance skills. Moreover, SB and Shariah Compliance Team encourage all staff of Islamic Banking Group as well as customers to float their queries via Ask-Shariah portal. This provides a platform for on the job training for staff and supports day-to-day processes and customer management.

7. Provision of adequate resources to Shariah Compliance Department (SCD):

SCD is operating with reasonable head counts currently. However, SCD shall anticipate future requirement and inform the management with the same, if any.

Other Developments:

1. Shariah Compliance Review (SCR) of Islamic Banking Branches and Departments:

The Shariah Compliance teams have conducted review of 148 deposit branches of NBP Aitemaad Islamic Banking Branches which includes offsite Shariah review of 56 Aitemaad Branches, and onsite Shariah review of 92 Aitemaad Branches during the calendar year. Further, SCD has also conducted monthly pre-disbursement Shariah review of Pool management. In addition, Aitemaad Marketing, 100% Treasury transactions, and 100% financing portfolio has also been reviewed during the year as required in SBP's SGF. The Shariah Compliance teams during their visit provided guidance to staff to ensure implementation of Shariah guidelines.

2. Product Development:

Alhamdulillah, in 2019, NBP Aitemaad Islamic Banking has introduced EMV Debit Card. In addition, NBP Aitemaad has now a good range of products as it is offering Twelve (12) Deposit products and Seven (07) financing products for its valued Customers.

3. Asset Review:

NBP Aitemaad's overall assets have increased by 24% to around PKR 65 billion as compared to PKR 52.6 billion of previous year. Islamic Financing increased by 26% to PKR 34 billion maintaining AIBG Finance to Deposit Ratio around 54%. Investments including Bai Muajjal stand at PKR 31 billion as compared to PKR 25.4 billion last year.

4. Liability Review:

Aitemaad total deposits have shown a healthy increase by around 24% to PKR 63 billion as on 31 December, 2019 as compared to PKR 51 billion last year.

5. Summary of Shariah Board Meetings Conducted During 2019:

SB had held six meetings during the year 2019 wherein several agendas were deliberated upon and resolved. The major approvals are summarized as follows:

1. Aitemaad Policies

- i. Islamic Staff Policy - Revised
- ii. Shariah Compliance Policy - Revised
- iii. Islamic Long Term Financing Facility (ILTFF - SBP)
- iv. Investment Policy
- v. Corporate, Commercial & SME Credit Policies (CPMs).

2. Aitemaad Manuals

- i. Training Manual
- ii. Mobile Banking Application Manual
- iii. EMV Debit Card Manual.

3. Shariah Researches conducted by SCD scholars under the supervision of Shariah Board

- i. The verdict for liability of Purchasing Agent in case of non-declaration of purchase within agreed timeline.
- ii. The Shariah Status of dealing with non-Shariah compliant financial institutions.
- iii. The Shariah ruling for Performance Guarantee.
- iv. The status of Contract of Muswamah in case of disclosure of cost; whether it turned into Murabaha or not?
- v. The Establishment of Implied Exchange between Selling Agent & Principal.

4. Miscellaneous

- i. Shariah Compliance and Shariah Audit Annual plans
- ii. Action recommendations on Shariah Compliance, Internal & External Shariah Audit Findings
- iii. Approval of ISAW Shariah Audit Rating Mechanism for Deposit Branches
- iv. Creation of Special Pool - For 1 & 2 Years TDRs on Special Rates
- v. Process flow approval of several financing facilities
- vi. Mudharabah Agreement of Islamic Long Term SBP Financing Facility (ILTFF).

Recommendations:

We recommend the Bank on the following matters:

1. To continuously improve and strengthen the Pool Management by automation of the pool management and profit and loss distribution mechanism, according to the instructions of SBP, on priority basis.
2. To implement;
 - i. Shariah compliant Staff Financing facilities for NBP Staff
 - ii. Inclusion of Zero tolerance for Shari'ah non-compliance instances in HR policy for performance appraisal system of the staff by HRMG as required by SBP in SGF.
 - iii. Comprehensive Islamic banking training policy as per SBP and SB instructions which must include entry/advance level specific and focused training of all staff, practically, Islamic Financing transactions of various modes for staff dealing with Islamic Financings to avoid complicated Shariah compliance issues

والله سبحانه وتعالى اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ج ربنا ولا تحمل علينا اصرا كما حملته على الذين من قبلنا ج ربنا ولا تحملنا ما لا طاقة لنا به واعف عنا ووقفه واغفر لنا وقفه وارحمنا وقفه انت مولنا فانصرنا على القوم الكافرين .

We pray to Almighty ALLAH to provide us guidance to adhere to the Shari'ah principles in day-to-day operations, to absolve our mistakes and for the success of Islamic banking in Pakistan.

Mufti Muhammad Imran
Resident Shariah Board Member
NBP – Aitemaad

Dr. Mufti Khalil Ahmad Aazami
Member Shariah Board
NBP – Aitemaad

Mufti Ehsan Waquar Ahmad
Chairman Shariah Board
NBP – Aitemaad

4- متفرقات

- i۔ شریعہ کمپلائنس اینڈ شریعہ آڈٹ سالانہ رپورٹ
- ii۔ شریعہ کمپلائنس اور انٹرنل وائیکنٹرل شریعہ آڈٹ کے مجوزہ سفارشات پر عملدرآمد
- iii۔ شریعہ آڈٹ ریٹینگ میکانزم کی منظوری
- iv۔ آڈٹس پول کی تشکیل۔ ایک اور دو سالہ ٹی ڈی آر (TDRs)
- v۔ سرمایہ کاری کی سہولیات کے لئے متعدد پروسس فلوز کی منظوری
- vi۔ مضاربہ ایگریمنٹس۔ ایس بی پی کی طویل المیعاد سہولت (ILTFF) کے لئے

سفارشات:

بینک کے لئے ہماری سفارشات درج ذیل ہیں:

- 1۔ اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق ترقیاتی بنیادوں پر پول پیمنٹ اور فنانس کی تقسیم کے طریقہ کار میں مزید بہتری کے لئے، اسے خود کار اور مستحکم ہونا چاہئے۔
- 2۔ درج ذیل پر عمل درآمد کی ضرورت:
 - i۔ این بی پی کے عملے کے لئے اسٹاف ٹریننگ پالیسی کے شرعی اصولوں کے مطابق نفاذ کو یقینی بنایا جائے۔
 - ii۔ اسٹیٹ بینک آف پاکستان کے ایس جی ایف (SGF) کے مطابق، شریعہ امور کی تعمیل (Zero Tolerance) کو اسٹاف کے سالانہ جائزہ (Appraisal) میں شمار کر کے ایچ آر (HR) پالیسی میں شامل کیا جائے۔
 - iii۔ اسٹیٹ بینک آف پاکستان اور شریعہ بورڈ کی ہدایات کے مطابق ایک جامع اسلامک بینکنگ ٹریننگ پالیسی تشکیل دی جائے، جو ابتدائی اور اعلیٰ لیول کے مخصوص ٹریننگ کورسز پر مشتمل ہو، بالخصوص اس میں مختلف اسلامک موڈز کے ذریعے جو عملی طور سے سرمایہ کاری فراہم کی جا رہی ہے وہ معاملات شامل ہوں تاکہ اسلامی نقطہ نظر سے اہم اور مشکل مقامات کی نشاندہی کر کے لٹلٹیوں سے بچا جاسکے۔

واللہ سبحانہ و تعالیٰ اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ج ربنا ولا تحمل علينا اصرا كما حملته على الذين من قبلنا ج ربنا ولا تحملنا ما لا طاقة لنا به واعف عنا و غفر لنا وقفه و ارحمنا وقفه انت مولنا فانصرنا على القوم الكافرين.

ہم اللہ تعالیٰ کے حضور دعا گو ہیں کہ وہ روزمرہ امور میں ہماری رہنمائی فرمائے تاکہ ہم خطاؤں سے بچ سکیں اور یہ کہ اسلامی بینکاری پاکستان میں مزید مستحکم ہو۔

مفتی احسان وقار احمد

چیرمین شریعہ بورڈ
 این بی پی ایف

ڈاکٹر مفتی خلیل احمد اعظمی

ممبر شریعہ بورڈ
 این بی پی ایف

مفتی محمد عمران

ریجنل ڈپٹی چیرمین شریعہ بورڈ
 این بی پی ایف

- 2- اسلامی بینکاری برانچوں اور شعبہ جات کا شرعی جائزہ:
الحمد للہ! اس سال این بی پی اینی نے ڈیٹ کارڈ (EMV) متعارف کروایا ہے، جبکہ 12 ڈپازٹ اور 07 سرمایہ کاری مصنوعات کے ساتھ این بی پی اینی اپنے قابل قدر صارفین کے لئے بہتر حد تک خدمات سرانجام دے رہا ہے۔
- 3- فنانسنگ اور سرمایہ کاری کا جائزہ:
این بی پی اینی اعتماد کے مجموعی اثاثے 2019 کے اختتام پر گزشتہ سال کے مقابلے میں 24 فیصد کی شرح سے اضافے کے بعد تقریباً 65 بلین روپے تک پہنچ چکے ہیں جو پچھلے سال 52.....6 بلین تھے۔ اسلامک فنانسنگ 26% فیصد کے اضافے کے ساتھ تقریباً 34 بلین تک پہنچ چکی ہے جس کی وجہ سے اعتماد اسلامک بینکنگ گروپ فنانس / ڈپازٹ کا تناسب 54% فیصد ہو گیا ہے۔ اس سال سرمایہ کاری کا حجم تقریباً 31 بلین رہا جو کہ پچھلے سال 25.....4 بلین تھا۔
- 4- کھاتہ جات (ڈپازٹس) کا جائزہ:
این بی پی اینی اعتماد کے ڈپازٹ میں 31 دسمبر، 2019 تک ایک بہتر اضافہ نظر آیا جو کہ تقریباً 63 بلین روپے رہا جو پچھلے سال کے 51 بلین روپوں میں 24% فیصد کی شرح سے اضافہ ہے۔
- 5- سال 2019 میں شریعہ بورڈ کے اجتماعات (میٹنگز) کا خلاصہ:
سال 2019 میں شریعہ بورڈ کی کل (6) میٹنگز منعقد ہوئیں، جن میں متعدد موضوعات، مسائل اور احکامات پر بحث و مباحثہ کے بعد ان کو حل کر کے منظور کیا گیا۔ ان میں سے اہم منظور شدہ موضوعات اور احکامات درج ذیل ہیں:

- 1- اعتماد پالیسیز
 - i- اسلامک اسٹاف پالیسی۔ ترمیم شدہ
 - ii- شریعہ کمیٹی پالیسی۔ ترمیم شدہ
 - iii- اسلامک طویل المیعاد سہولت (SBP - ILTFF)
 - iv- سرمایہ کاری کی پالیسی
 - v- کارپوریٹ، کمرشل اینڈ ایس ایم ای کرڈٹ پالیسیز (CPMs)
- 2- اعتماد میٹوز
 - i- ٹریڈنگ مینول
 - ii- موبائل بینکنگ اپلیکیشن مینول
 - iii- ای ایم وی ڈیٹ کارڈ مینول
- 3- شریعہ بورڈ کے زیر نگرانی شریعہ کمیٹی پالیسی ڈپارٹمنٹ کے اسٹارٹ اپ اس سال مختلف درج ذیل موضوعات پر شرعی تحقیقات انجام دی:
 - i- وکیل بالشرعہ کا طے شدہ مدت میں اطلاع نہ دینے کی وجہ سے ضمان کا حکم
 - ii- غیر شرعی مالیاتی اداروں کے ساتھ تعامل کی شرعی حیثیت
 - iii- پرفارمنس گارنٹی کی شرعی حیثیت
 - iv- عقد مساومہ میں لاگت کا تذکرہ کرنے سے کیا وہ عقد مراہمہ بن جائے گا؟
 - v- وکیل بالشرعہ اور نوکل کے درمیان مبادلہ حکمیہ قائم ہوتا ہے یا نہیں؟

4- ایسا طریقہ کار کہ جس سے ممنوع آمدن، چرائی (صدقہ) اکاؤنٹ میں منتقل کی جائے:

این بی پی اعتماد نے ایک واضح اور جامع چیرینی پالیسی تشکیل دی ہے جو شریعہ بورڈ اور بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ شریعہ کمپلائنس کے عملے نے معاملات کا جائزہ لیا ہے تاکہ اس بات کو یقینی بنایا جائے کہ یہ معاملات شریعہ بورڈ سے منظور شدہ طریقہ کار اور ہدایات کے مطابق انجام دیے گئے ہیں۔ مزید برآں شریعہ کمپلائنس ڈپارٹمنٹ کی جانب سے آمدنی کے تمام دوسرے ذرائع بشمول سرمایہ کاری اور ٹریڈرز کے معاملات کا جائزہ بھی لیا جا چکا ہے۔

بینک سرمایہ کاری کے شرعی جائزے کے دوران کوئی بھی غیر شرعی معاملہ نہیں پایا گیا، لہذا سال 2019 میں کسی قسم کے نفع کو چیرنی نہیں کیا گیا، تاہم گزشتہ سال (سالوں) کی چیرنی دو بلین (2,000,000) کی رقم سال 2019 میں رفاہی اداروں کو دے دی گئی ہے۔

5- نفع اور نقصان کی تقسیم اور پول منجمنٹ:

اعتماد اسلامک بینکنگ کے پاس پول منجمنٹ کا باقاعدہ ونگ، مناسب عملے کے ساتھ موجود ہے، جو ایک مکمل پالیسی اور ایس او پی (SOP) کے تحت پول کو شرعی اصولوں کے مطابق چلاتا ہے۔ اس سے نفع و نقصان کی تقسیم میں مزید شفافیت حاصل ہوتی ہے۔ اس کے ساتھ ساتھ اسٹیٹ بینک کی طرف سے جاری کردہ سرکلر کے مطابق شریعہ کمپلائنس ڈپارٹمنٹ موجودہ سال کے دوران ماہانہ بنیادوں پر نفع کی قبل از تقسیم اور پول منجمنٹ کا جائزہ لیتا رہا ہے۔ اسی طرح تقسیم کے بعد سہ ماہی بنیادوں پر پول منجمنٹ کا انٹرنل شریعہ آڈٹ بھی ہوا ہے، جس سے پول منجمنٹ اور نفع و نقصان کی تقسیم کا عمل بہتر ہوا ہے اور شریعہ کمپلائنس کا نظام مزید مضبوط ہو گیا ہے۔

6- عملے کی تربیت برائے اسلامی بینکاری اور سرمایہ کاری:

الحمد للہ! بینک مختلف تربیتی پروگرام برائے اسلامی بینکاری و سرمایہ کاری ترتیب دیے تاکہ اسٹاف کو اسلامی بینکاری اور سرمایہ کاری کے بنیادی تصورات سے آگاہی فراہم کی جاسکے۔ الحمد للہ! اس سال عملے کے لئے اس نوعیت کے 23 پروگرام منعقد کئے گئے جن کے ذریعے عملے کے 457 افراد کو تربیت فراہم کی گئی۔ بینک نے اس سال باقاعدہ ای۔ لرننگ کورس "ربو اور انٹرسٹ" کا آغاز کیا۔ جس کا مقصد ای۔ لرننگ کے ذریعے اسلامک بینکنگ کو روشناس کرانا ہے۔ اس کے ساتھ ساتھ بینک نے ایک کورس بنام "کسٹمر سروس منجمنٹ ان اسلامک بینکنگ" کا بھی آغاز کیا جس کا مقصد اسٹاف کو اسلامی اصولوں کے مطابق خدمات فراہم کرنے سے متعلق آگاہی فراہم کرنا ہے۔ بینک نے مختلف اضلاع میں اسلامک بینکنگ کی ترویج و ترقی سے متعلق عوام کے لئے 109 آگاہی پروگرامز کا انعقاد کیا۔

بینک نے شریعہ کمپلائنس ڈپارٹمنٹ کے آفیسرز کو بھی AAOIFI کے شرعی معیارات کے کورس اور اکاؤنٹینگ کے ریٹریٹر کورس (Certified Islamic Professional Accountant-CIPA) کے لئے نامزد کیا جس کی مدد سے ان آفیسرز کو شریعہ اور کمپلائنس کے حوالے سے اپنی صلاحیتوں میں مزید نکھار کا موقع ملا۔ شریعہ بورڈ اور شریعہ کمپلائنس ڈپارٹمنٹ دوران تربیت بینک کے تمام عملے اور صارفین کی اس بارے میں حوصلہ افزائی کرتے رہے کہ وہ شریعہ کے حوالے سے کسی بھی سوال والٹھمن Shariah Portal کے ذریعے پوچھ کر حل کریں۔ اس طریقہ کار سے بینک کے عملے کو ایک پلیٹ فارم مہیا کیا گیا ہے جس کے ذریعے نہ صرف ان کی تربیت ہوتی ہے، بلکہ ان کے روزمرہ کے کاموں اور صارفین کے انتظام (کسٹمر منجمنٹ) میں بھی معاونت حاصل ہوتی ہے۔

7- شریعہ بورڈ کو مناسب افرادی وسائل مہیا کرنا:

شریعی کمپلائنس ڈپارٹمنٹ فی الحال مناسب افرادی قوت کے ساتھ اپنی خدمات سرانجام دے رہا ہے، بہر حال مستقبل کی ضرورتوں کے پیش نظر اگر شریعہ کمپلائنس ڈپارٹمنٹ میں افرادی قوت میں اضافہ ضروری ہو تو منجمنٹ کو آگاہ کر دیا جائے گا۔

دیگر تعمیری سرگرمیاں:

1- اسلامک بینکنگ برانچز اور ڈپارٹمنٹس کا شرعی جائزہ:

شریعی کمپلائنس ڈپارٹمنٹ نے اس سال میں اعتماد اسلامک بینکنگ کی 148 ڈپازٹ برانچز کا جائزہ لیا، جس میں 56 برانچوں کا بذریعہ آف سائیز اور 92 برانچوں کا باقاعدہ جائزہ لیا گیا۔ نیز شریعی کمپلائنس ڈپارٹمنٹ سال کے دوران ماہانہ بنیادوں پر پول منجمنٹ کا نفع و نقصان کی تقسیم سے پہلے جائزہ لیتا رہا ہے۔ اس کے ساتھ ساتھ مارکیٹنگ، 100% اعتماد ٹریڈرز اور 100% نانسنگ پورٹ فولیو کا بھی باقاعدہ اسٹیٹ بینک کے شریعی گورننس فریم ورک کے مطابق شرعی جائزہ لیا گیا۔ شریعی کمپلائنس کے عملے نے جائزے کے دوران متعلقہ عملے کو خصوصی ہدایات دیں کہ وہ شرعی احکامات کی مکمل پاسداری کریں۔

این بی پی اعتماد شریعہ بورڈ رپورٹ - 2019

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى اله وصحبه اجمعين اما بعد

این بی پی کے بورڈ آف ڈائریکٹرز کی طرف سے شریعہ بورڈ پر اعتماد اور بھروسہ کرتے ہوئے انہیں یہ ذمہ داری سونپی گئی کہ وہ این بی پی اسلامی بینکاری کے ماحول اور شرعی احکام کی تعمیل (شریعی کمپلائنس) کے سلسلے میں نگرانی کریں۔

اس رپورٹ کا مقصد یہ ہے کہ این بی پی اعتماد میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کے بارے میں شریعہ بورڈ کا نقطہ نظر پیش کیا جائے۔ ہم بحیثیت شریعہ بورڈ 31 دسمبر 2019 تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کا جائزہ لے چکے ہیں، جس کا خلاصہ پیش خدمت ہے۔

شریعی بورڈ کی رائے:

بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کی حتمی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائیں کہ این بی پی اعتماد کے جملہ امور مکمل طور پر شرعی اصولوں کے مطابق انجام پارہے ہیں، جبکہ ہمارے (شریعی بورڈ) ذمہ این بی پی اعتماد کی شرعی احکام کی تعمیل (کمپلائنس) کے حوالے سے صورتحال کا ایک مکمل تجزیہ (رپورٹ) پیش کرنا ہے۔

رپورٹ میں ذکر کردہ رائے قائم کرنے کے لئے بینک کے شریعی کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاہدات، اس سے متعلق دستاویزات اور طریقہ کار میں سے چند بطور نمونے کے منتخب کئے اور ان کا تفصیلی جائزہ لیا ہے۔ مزید یہ کہ ہم نے انٹرنل شریعی آڈٹ کی رپورٹس کا بھی جائزہ لیا ہے، جس کی بنیاد پر ہماری رائے یہ ہے:

1- شریعی بورڈ اور اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات اور فتاویٰ پر بینک کی تعمیل (کمپلائنس):

شریعی بورڈ کی رائے کے مطابق مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شرعی اصولوں کے مطابق ہیں۔

2- اسٹیٹ بینک کی شریعی ایڈوائزری کمیٹی کے احکامات کے مطابق جاری کردہ ہدایات، قواعد و ضوابط اور احکامات پر بینک کی تعمیل (کمپلائنس)

شریعی بورڈ کی ہدایات کے مطابق، منجمنٹ نے اس بات کی یقین دہانی کی کہ غیر شرعی امور پر کسی قسم کی تسامح نہ برتی جائے اور سالانہ جائزہ (Appraisal) میں شریعی امور کی تعمیل (Zero Tolerance) کو اہم امور کے طور پر اسٹاف کی سال 2019 کی کارکردگی (KPI) میں باقاعدہ شمار کر لیا گیا ہے، البتہ شریعی امور کی تعمیل (Zero Tolerance) کا ایچ آر پالیسی کا باقاعدہ حصہ بننا باقی ہے۔

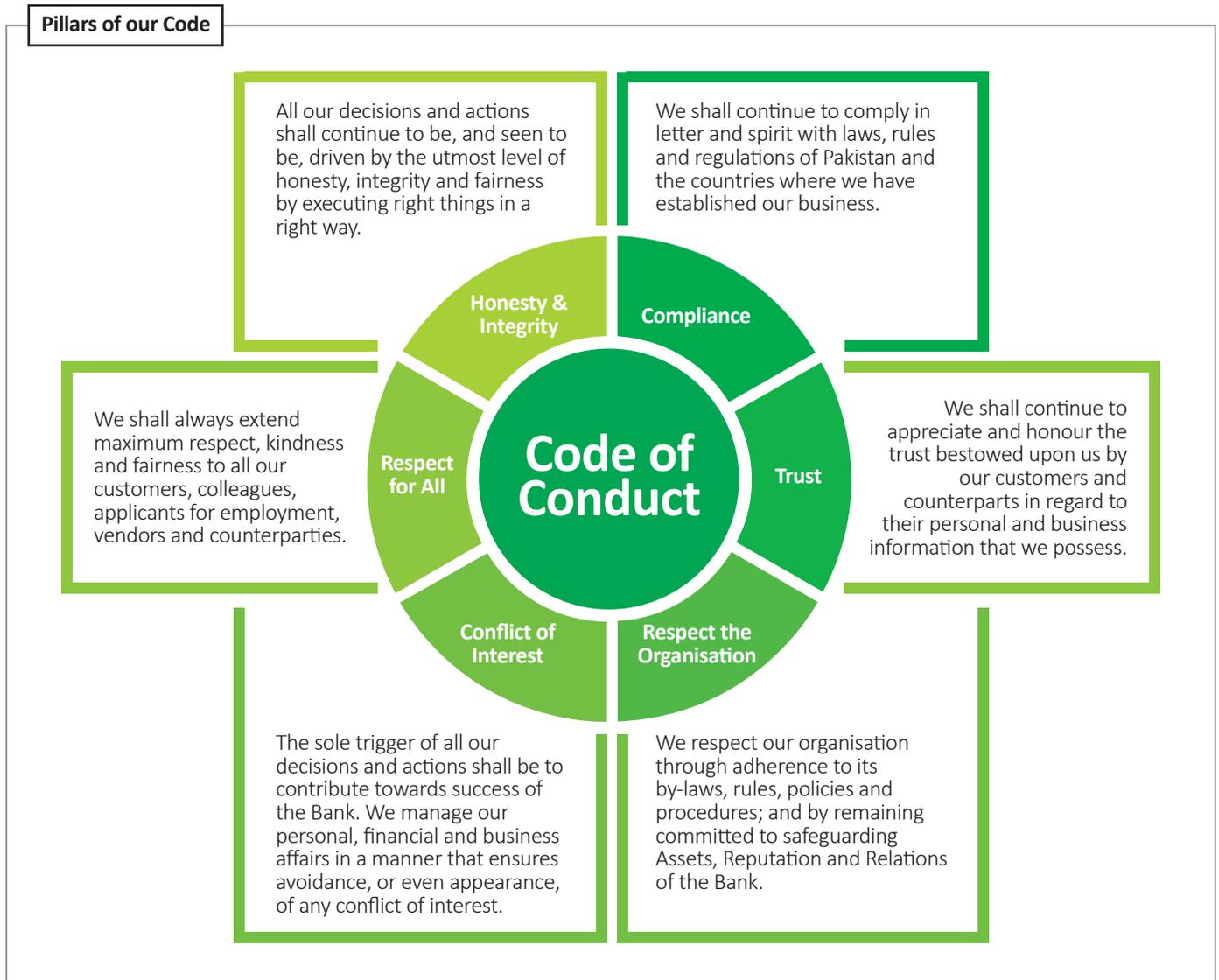
3- شریعی کی تعمیل (کمپلائنس) کا طریقہ کار:

الحمد لله! این بی پی اعتماد کے پاس شریعی کی تعمیل (کمپلائنس) کروانے کا ایک مکمل دستور العمل (مینول) موجود ہے جو شریعی کمپلائنس ڈپارٹمنٹ کی جانب سے مرتب کیا گیا ہے اور باقاعدہ بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ مسلسل بہتری کو ملحوظ خاطر رکھتے ہوئے شریعی کمپلائنس ڈپارٹمنٹ نے وقتاً فوقتاً حاصل ہونے والے تجربات اور شریعی بورڈ سے ملنے والی رہنمائی و ہدایات اور اسٹیٹ بینک کے احکامات کو مد نظر رکھتے ہوئے شریعی کمپلائنس کے لیے کئی چیک لسٹیں تیار کر لی ہیں۔

جن کی مدد سے کمزور پہلوؤں کی نشاندہی کے ساتھ ساتھ ان کے سدباب میں بھی رہنمائی حاصل ہوتی ہے اور دوران شریعی کمپلائنس، براہِ نچر اور ڈپارٹمنٹس کا جائزہ Shariah Compliance Review (SCR) کیا جاتا ہے۔ مزید برآں، بینک کے عملے کی اسلامک بینکنگ اینڈ فنانس کے حوالے سے بنیادی علمی معلومات کو بہتر بنانے کے لئے شریعی کمپلائنس ڈپارٹمنٹ نے باقاعدہ ٹیمٹ پیپر ز بھی تیار کئے ہیں، جن کی مدد سے عملے کی اسلامی بینکاری اور فنانس کی معلومات اور آگاہی کو جانچا جاتا ہے، نیز عملے کی مزید ٹریننگ کی ضرورت کے حوالے سے بھی آگاہی حاصل ہوتی ہے۔

Our Ethics & Code of Conduct

It is an obligation on us all to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. Our Code of Conduct reflects our commitments to meet the expectations of our stakeholders and sets the fundamental principles and rules relating to our ethics, conduct and compliance to ensure integrity. We are committed to conducting our business with honesty and integrity, and expect all our employees to maintain high standards in accordance with this Code that forms an integral part of the terms of employment of all employees.



1. Purpose of Code

The Code of Conduct (the “Code”) is to define the commitment that the Bank expects of its employees to know in clear terms what acts, conducts and practices are considered ethical and clearly describe the appropriate behaviour that all employees are required to adopt in order to safeguard the reputation enjoyed by the Bank and its subsidiaries, both in Pakistan and abroad. It also describes,

where considered necessary, the omissions that would be against the Code.

2. Application of Code

It is an obligation on us all to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. Our internally developed Code of Conduct “code” provides guidance on expected behaviour and explains the

effect of decisions that are taken and describes the principles that must be followed. The Code applies to all employees of the Bank and its subsidiaries. It applies equally to interns, consultants, agents, and service providers who are engaged / retained by the Bank. A copy of the code is provided to all concerned so that they know the applicable provisions and undertake to follow these in the course of their employment / and / or business

relationship with the Bank. The rules set out in this Code are to be applied at all times and in all places when carrying out Bank duties, be they of a professional or social nature.

3. Compliance with this Code

If an employee fails to comply with this Code or applicable laws, rules or regulations (including the rules and regulations of the SBP) he or she will be subject to disciplinary measures, including (with respect to employees) discharge from the Bank. Violations of this Code may also constitute violations of law and may result in civil or criminal penalties for such person, and such person's supervisors. The competent authority will determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of a violation of this Code. In determining what action is appropriate in a particular case, the competent authority or its designee will consider the following aspect. If appropriate, the relevant external authority would be notified.

4. Basic Principles of our Code

- Act with Honesty and Integrity

All our decisions and actions shall continue to be, and seen to be, driven by the utmost level of honesty, integrity and fairness by executing right things in a right way.

- Comply with the Law

We shall continue to comply in the letter and spirit with laws, rules and regulations of Pakistan and the countries where we have established our business.

- Treat all with Respect

We shall always extend maximum respect, kindness and fairness to all our customers, colleagues, applicants for employment, vendors and counterparties.

- Conflict of Interest

The sole trigger of all our decisions and actions shall be to contribute towards success of the Bank. We manage our personal, financial and business affairs in a manner that ensures avoidance, or even appearance of any conflict of interest.

- Respect the Organisation

We respect our organisation through

adherence to its by-laws, rules, policies and procedures; and by remaining committed to safeguarding Assets, Reputation and Relations of the Bank.

- Non-Discrimination

NBP will not tolerate discrimination in any form, or any dishonest, unethical or inappropriate behaviour. The Bank's policy is to ensure a harmonious environment with equal employment opportunity for all, regardless of age, gender, race, religion, colour, national origin and marital status and that client and prospective clients are not discriminated against on a prohibited basis.

- Safeguard the Confidentiality of Information

We shall continue to appreciate and honour the trust bestowed upon us by our customers and counterparts in regard to their personal and business information that we possess.

- Limited Use of Confidential Information

While recognizing the need for a constant flow of information for the smooth operation of the Bank, we will not disclose confidential information pertaining to our clients' affairs to our fellow workers within NBP unless they have a clear business need to know the information for the performance of their duties.

- Avoid Conflicts of Interest

As part of our employment responsibilities we act in a way that contributes to the financial success of the Bank, enhances its reputation and fosters its client relationships. This requires us to look after our own private financial interests in such a way that we do not profit improperly from our position with NBP.

- Use of NBP's Computer Systems

Utilization of NBP's computer systems provides an employee access to confidential client information based on the business / support function(s) being performed. Employees are granted access to the various computer systems to perform their job duties. Each employee is expected to protect the access granted to him or her and to keep any associated passwords confidential at all times.

- External Communications

Only designated Senior Management

Officials liaisons through Corporate Communications Division are responsible for NBP's relationship and communication with the press and the general public.

- Sincerity with NBP / Management and Others

When we have knowledge of any questionable or possible illegal act or occurrence involving or affecting NBP, we have an obligation to report the act or occurrence using means made available by the Bank for such purpose.

- Self-Dealing

We are not in any way to represent or exercise any authority on NBP's behalf, grant direct or indirect credit accommodations or make credit recommendations, or act in the capacity of an account officer with respect to any type of transaction for ourselves, members of our immediate family.

- Respect the Policies of the Organization

We are required to be aware of all policies and processes which apply to us as an employee of NBP. These policies and processes are issued by the authorized officials of NBP and modifications may be enforced from time to time.

- Demonstrate Discipline and Decency

NBP expects us all to demonstrate discipline in terms of timeliness, punctuality and dress code. We should devote our full attention and energy to official duties during working hours. Employees are required to attend at work as required and not to absent themselves from duty without authorization.

- Acceptance of Gifts from Suppliers or Clients

NBP employees are prohibited from giving, seeking or accepting gifts for oneself or any other person anything of value beyond PKR 5,000/- (including services, discounts or entertainment) from clients, suppliers or anyone else in return for any business or service from, or confidential information about, NBP.

- Borrowing Money from Vendors or Clients

We are not allowed to borrow money from, or lend money to, any of NBP's vendors or clients. This is strictly prohibited.

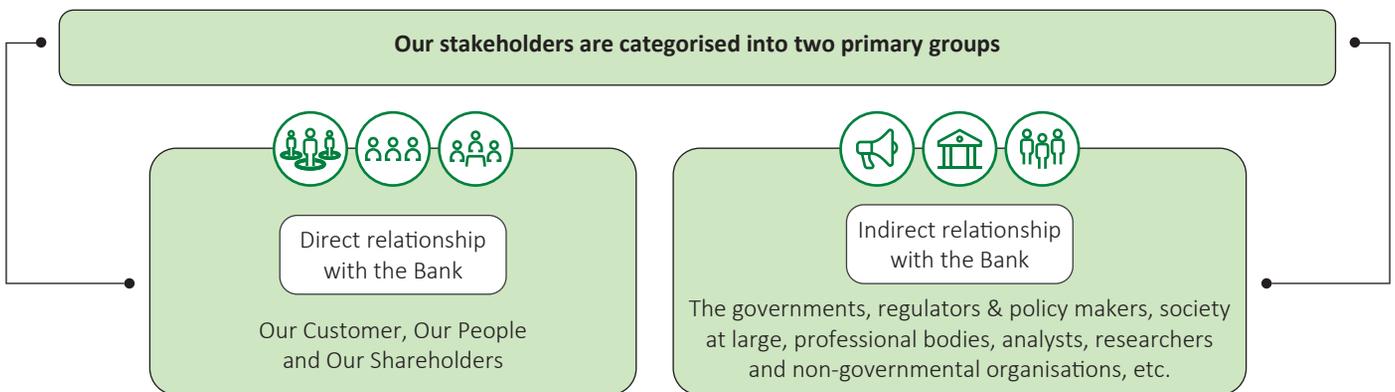
Engaging with Our Stakeholders

The value we create through our business processes is our distribution to our stakeholders. We connect with our stakeholders to identify and address their lawful concerns to maintain a desired balance in the distribution of value created. Listening to our internal and external stakeholders helps us stay connected to our environment, understand the expectations of each stakeholder. This leads us in setting our strategic

priorities in the short & medium term and accordingly allocate resources to successfully deliver & translate these strategies into numbers.

The Bank has formal mechanisms in place for proactively engaging with key stakeholder groups to understand their views. For this, responsibility is shared across the organisation.

The Nation's Bank aims to create value for its stakeholders, balanced across both the short and the long term. We engage with our stakeholders to better inform them of our activities and to create mutually supportive opportunities and outcomes.



Steps to Encourage Minority Shareholders

Participation in General Meetings also provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. The Bank takes the following measures to ensure meaningful participation of minority shareholders in General meetings:

- Notice of General meetings is sent to every member of the Bank at least 21 days before the meeting. The notice is also published in newspapers (both English & Urdu) having nationwide circulation. Moreover, the notice is also circulated from the forum of Pakistan Stock Exchange.
- The Bank timely updates its website with respect to all notices of general meetings.
- Annual Report of the Bank is sent to each member of the Bank before Annual General Meeting.
- During AGM, a detailed briefing on the Bank's performance and future plans is given to the shareholders.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

Proceedings of the 70th Annual General Meeting

The 70th Annual General Meeting of the shareholders was held on March 28, 2019 at 2:30 pm, at Crystal Ball Room, Marriot Hotel, Karachi.

The meeting was well attended by Board members of the Bank, the Chief Executive Officer along with the Chief Financial Officer and the Company Secretary.

During the question / answer session, shareholders appreciated the overall growth in the Bank's financial performance for year ended December 31, 2018. The shareholders discussed various aspects of the financial position, operational efficiencies and organisational effectiveness of the Bank. The shareholders inquired about the impact of pending HR related litigations on future performance and strength of the bank. They also raised questions on how a future change in policy rate or a movement in the exchange rate would impact the Bank's performance. The CFO comprehensively addressed these questions and explained that rate on deposit was increased in subsequent month of policy rate announcement; whereas, investments and advances are usually repriced upon maturity or next repricing date whichever is applicable.

While responding to different queries of the shareholders, the President of the Bank stated that at the bottom line, the Bank posted healthy financial results. He further explained that the Bank remained well-capitalized and appropriate plans are in place to address the impact of an adverse outcome of the pending litigations. He explained that the first priority of the Board was to maintain continuity of Bank's business which is very much dependent upon the strong capital base of the Bank. Accordingly, the Board had considered it more prudent to retain and plough back entire profits for the time being and once the position becomes clearer and positive, the Bank may consider declaration of dividend at a later stage.

The shareholders unanimously confirmed / approved minutes of the Annual General Meeting held on March 29, 2018 and other agenda items of the meeting.

Whistle-Blowing / Speak-Up Policy

Whistle-Blowing covers reporting of incidents of misconduct, involving or affecting an organization to enable the organization to take appropriate action. It is a window to obtain feedback on issues bordering on both corporate governance, as well as reputational risk related issues. This policy consists of responsible and effective procedures for disclosure or reporting of misconduct and impropriety seen by any employee, vendor or any stakeholder within the country or in our overseas operations. In case of reporting any incident, it will enable the Bank to take appropriate remedial action, if the concerns or complaints are deemed legitimate.

Protection to a Whistle-Blower

By setting up the necessary procedures safeguarding confidentiality and offering anonymity, the interests of the whistle blower are protected from possible harassment or victimization by those accused of misconduct. Any person who makes a disclosure or raises a concern under this program will be protected if the person:

- Discloses the information in good faith
- Believes it to be substantially true
- Does not act maliciously or make false allegations, and
- Does not seek any personal or financial gain

Brief on Complaint Handling Mechanism

The Bank has undertaken various measures as strategic responses for ensuring a sustained improvement in physical layout and customer friendly ambiance at branches. To maintain and ensure customer facilitation and bring an impactful change in the service culture of the Bank, some officials have exclusively been deputed as 'service quality officers' who are assisting branch management in meeting service quality challenges, thus ensuring customer loyalty and satisfaction.

Special attention is paid to improve customer understanding and knowledge in respect of the changing regulatory environment, potential risk of frauds, and safeguards / precautionary measures against card skimming.

Efforts are also being made to increase customer awareness regarding the available channels in the Bank for feedback (web link, e-mail, letter or call centre), suggestions, or

lodgement of grievances. At NBP, all complaints received are logged into a centralized complaint management system that facilitates in tracking, escalation (if so required) and resolution, on a fast-track basis. During the year 2019, a total of 93,682 complaints were received and the Bank has taken appropriate measures to promptly achieve 96% resolution rate. Our Call Center is becoming an effective tool in responding to customers' queries, particularly in respect to new products and services, and government sponsored schemes for youth business loans (such as PM's Kamyab Jawan Program).

As a result of our focused approach with alternate power supply solutions, improved operational effectiveness, and efficient surveillance, NBP ATMs uptime has significantly improved, and the volume as well as number of transactions have reached new heights.

If-I-were-CEO@nbp.com.pk

As the name suggests, this address was made available (on 17.04.19) to the staff of NBP in order to post suggestions, ideas, changes in procedures or amendments in policies, etc. that they would like to introduce if they were the CEO of the Bank. Areas of focus should include revenue generation, new products, customer service, brand building, training, CSR, organizational structures and cost management. Recommendations are evaluated by the Management Committee based on their practicality and viability. A spot award is given for those ideas which are approved for implementation.

Investor Relation Section on the Bank's Website

The Bank disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, under the applicable regulatory framework. The website is updated regularly to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend and other requisite information besides the link to SECP's investor education portal, the 'JamaPunji'. The "Investor Relations" and "Investors Information" section at the Bank's website can accessed at <https://www.nbp.com.pk/InvestorInformation/index.aspx>

Annual Corporate Briefing

Annual Corporate Briefing is yet another interactive-session of the management with the shareholders, research analysts, fund managers, financial journalists and such other stakeholders of the Bank. These briefings help the investors make informed investment decisions. Last year, the Analysts' briefing was held on February 22, 2019 which was well attended by a large number of stakeholders. The President, along with his senior aides briefed the audience on business strategy and financial position & performance of the Bank. Key areas of interest for the analysts included our business strategy, pension related contingencies, capital adequacy and dividend payout.

Stakeholders' Engagement Process

Stakeholders	Why We Focus them	What Their Aspirations Are	How We Respond to Their Aspirations	Frequency of Engagement
Customers	Our customers and clients are at the heart of our business.	<ul style="list-style-type: none"> • Customer Service, Security and Privacy • Fair Treatment & Service Quality • Financial Inclusion • Convenience & Affordability of Products • Grievance Handling Mechanism • Financial Education and Literacy 	<ul style="list-style-type: none"> • Visits by Relationship Managers • Complaint Management Centre • Branch Managers • Call Centers • Bank's Website • Media Advertisements • SMS Alerts 	As Required 24/7 As Required 24/7 As Required 24/7 As Required As Required
Shareholders and Analysts	Growing shareholders' value and retaining their trust is the key to our very existence. The financial capital they have provided enables us to continue and grow our business. We are under a fiduciary responsibility to manage their investment with care and diligence.	<ul style="list-style-type: none"> • Financial Position & Performance • Corporate Governance • Transparency & Disclosure • Business Strategy & Growth • Risk Management • Organisational Sustainability 	<ul style="list-style-type: none"> • Annual Reports / AGM • Quarterly Financial Statements • Extraordinary General Meetings • Corporate / Analyst Briefings • Investor Relations Office • Analyst Discussions / Calls • Press Release / Announcement to PSX 	Annual Quarterly As Required At Least Annual As Required As Required As Required
Employees	Our human capital is our most valuable asset. Engaging our people is critical to deliver on our strategy to meet our customers' requirements.	<ul style="list-style-type: none"> • Performance and Reward Management • Training and Development • Career Advancement Opportunities • Work-Life Balance • Retirement Benefit Plans • Perception of a Prosperous Bank 	<ul style="list-style-type: none"> • Groups' Off-Site Conferences • Town Hall Meetings • Training & Development Programs • Internet • Instructions' Circulars / Newline • Employee Satisfaction Survey 	As Required Frequent On-going On-going As required As required
Government & Regulators	Regulatory compliance is key to ensure consistency and long-term continuity of the process of value creation for our stakeholders.	<ul style="list-style-type: none"> • Regulatory Compliance • Network Expansion & Growth • Microfinance and SME Development • Soundness of the Financial Sector 	<ul style="list-style-type: none"> • On-Site Monitoring / Periodic Returns • Regulatory Directives and Circulars • Meetings and Briefings • Announcements / Press Releases • Consultation on Draft Regulations 	As Specified under Related Laws and Regulations
Community & Environment	We have to be socially-responsible to promote financial inclusion and the socio-economic upbringing of the unprivileged people, thus reducing inequalities.	<ul style="list-style-type: none"> • Responsible and Inclusive Financing • CSR to Community • Financial Inclusion • Environmental Performance • Employment Opportunities 	<ul style="list-style-type: none"> • Branch Network & Delivery Channels • CSR Initiatives • Media Advertisements • Public Events • Bank's Website 	On-going As Required As Required On-going 24/7

Notice of 71st Annual General Meeting

Notice is hereby given that **71st Annual General Meeting (“AGM”)** of National Bank of Pakistan (the “**Bank**”) will be held on **Tuesday, March 24, 2020 at 10:30 A.M. (PST)**, at **Crystal Ballroom, Marriott Hotel**, Karachi.

The following business will be transacted in the meeting:

Ordinary Business:

1. To confirm minutes of the Annual General Meeting of shareholders held on March 28, 2019, at Karachi.
2. To receive, consider and adopt the annual audited financial statements of National Bank of Pakistan and consolidated accounts of National Bank of Pakistan and its subsidiaries for the year ended December 31, 2019, together with the Directors’ & Auditors’ Reports thereon.
3. To appoint auditors for the year ending December 31, 2020 and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs Grant Thornton Anjum Rahman Chartered Accountants and Messrs Deloitte Yousuf Adil, Chartered Accountants to be the auditors of the Bank for the year ending December 31, 2020, at the same fee as paid to the retiring auditors.

Special Business:

4. To approve the remuneration of the non-executive Chairman of the Bank.
5. To transact any other business with the permission of the Chairman.

Karachi

Dated: **March 03, 2020**

By Order of the Board

S. M. Ali Zamin

Secretary (Board)

Notes:

- i) The Share Transfer Books of the Bank shall remain closed from March 17, 2020 to March 24, 2020 (both days inclusive). Transfers received at Messrs CDC Share Registrar Services Limited, CDC House 99-B, Block “B”, SMCHS, Main Shakra-e-Faisal, Karachi – 74400, the Bank’s Share Registrar and Transfer Agent, at the close of business on March 16, 2020 will be treated in time for the purpose of attending the meeting.
- ii) A member eligible to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being member of the Bank, may nominate any person as its representative to attend the AGM under authority of a Power of Attorney or a Board of Directors’ resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank’s Registrar / Transfer Agent, Messrs CDC Share Registrar Services Limited, CDC House 99-B, Block “B”, SMCHS, Main Shakra-e-Faisal, Karachi – 74400, not later than 48 hours before the time of holding the AGM.
- iii) CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - a. For Attending the Meeting:
 - In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his original Computerized National Identity Card (“**CNIC**”) or original passport at the time of attending the meeting.

- In case of corporate entity, the original or duly authenticated Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- b. For Appointing Proxies:
- In case of individuals, the account holder or sub-account holder shall submit the duly filled-in proxy form as per the above requirement.
 - The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.
 - The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
 - In case of corporate entity, the original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs CDC Share Registrar Services Limited.
- iv) CDC account holders and sub-account holders, whose registration details are available in share book detail report shall have to produce respective original Computerized National Identity Card (CNIC) or original passport for the purpose of identification to participate in the Annual General Meeting. Such account holders and sub-account holders should know the CNIC numbers and CDC account number of the respective participant and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of CNIC or passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.
- v) Members are requested to immediately notify any change in their address to the Bank's registrar and transfer agent, Messrs CDC Share Registrar Services Limited.

vi. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL

In pursuance of the directions given by SECP vide SRO 787 (1)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email addresses on a standard request form which is available at the Bank's website i.e. www.nbp.com.pk and send the said form duly filled in and signed along with copy of his / her CNIC / Passport to the Bank's Share Registrar. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional. In case you do not wish to avail this facility please ignore this notice and, in such case, Annual Financial Statements will be sent at your registered address on CD as approved in 68th Annual General Meeting held on March 30, 2017.

STATEMENT OF MATERIAL FACTS

This statement sets out material facts concerning the special business given in agenda item No.04 of the Notice, to be transacted at the 71st AGM of NBP's shareholders to be held on March 24, 2020.

Item No. 4:

TO APPROVE THE REMUNERATION OF NON-EXECUTIVE CHAIRMAN OF THE BANK IN TERMS OF SECTION 11 (3) (a) OF THE BANKS (NATIONALIZATION) ACT, 1974 AND SBP BPRD CIRCULAR NO. 03 OF 2019 DATED AUGUST 17, 2019.

In terms of Government of Pakistan, Internal Finance Wing, Notification No. F.1(11) Bkg-III /2017-568 dated April 17, 2019, Mr. Zubyr Soomro has been appointed as Chairman of the Board of Directors, of the Bank for a term of three years w.e.f. April 17, 2019.

The Board of Directors of the Bank in its 301st meeting held on December 12, 2019 has recommended the following remuneration for Mr. Zubyr Soomro, as Non-Executive Chairman of the Board of Directors of the Bank, to the shareholders in terms of Section 11(3) (a) of the Banks (Nationalization) Act, 1974 and SBP BPRD Circular No. 03 of 2019 dated August 17, 2019 for approval:

Head	Remuneration Details
Tenure	From 17-04-2019 to 16-04-2022
Meeting Fee	Rs. 150,000/- Meeting fee as approved by shareholders for non-executives directors in Extraordinary General Meeting held on 15-05-2017.
Fixed Remuneration	Nil
Travelling (Domestic) for Board meetings / Official work	As per policy / package approved by the Board / AGM for non-executive directors
Hotel / Per Diem (in lieu of hotel accommodation)	Actual / Rs. 15,000/-
Travelling (Overseas)	Business Class
Hotel / Per Diem (in lieu of hotel accommodation) – International	Actual / US\$ 325/-
Office facility	Yes
Secretarial staff	5 (Max. upto Rs. 1.6 million Per month)
Security Guards at Residence	2 security guards each on 12 hours shift including one mobile gunman.
Security guards for providing security at Chairman's Office	Adequate security arrangements at office premises.
Office work expenses	In Chamber: Actual Out of Chamber: Upto Rs. 25,000/- Per Month.
Vehicle	A 1800cc Car for official-cum-domestic use

It is requested that the remuneration of Mr. Zubyr Soomro, non-executive Chairman, Board of Directors of the Bank be approved as recommended by the Board of Directors of the Bank in its 301st meeting held on December 12, 2019 and in pursuance thereof, the following resolution may be passed:

“RESOLVED THAT in terms of Section 11 (3) (a) of the Banks (Nationalization) Act, 1974, and SBP BPRD Circular No. 03 of 2019 dated August 17, 2019, the remuneration for Mr. Zubyr Soomro, as non-executive Chairman, Board of Directors, NBP as recommended by the Board of Directors of the Bank in its 301st meeting held on December 12, 2019, be and is hereby approved for a term of three (3) years w.e.f. April 17, 2019.”

Disclosure: In terms of Section 134 (3) of the Companies Act, 2017, no Director is directly or indirectly interested in the special resolution except the Chairman.

An aerial photograph of a residential area. In the center is a large, white, two-story building with a flat roof. The building has several windows and a sign that reads "NBP" and "National Bank of Pakistan". Below the building is a parking lot filled with various cars. The surrounding area consists of smaller houses with red and orange roofs. The overall scene is captured from a high angle, showing the layout of the neighborhood.

Unconsolidated Financial Statements

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, KCHSU
Shahrah-e-Faisal
Karachi 75350, Pakistan

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modren Motors House
Beaumont Road
Karachi 75530, Pakistan

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **National Bank of Pakistan (the Bank)**, which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 80 branches which have been audited by us and 7 branches audited by auditors abroad, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 25.3.3.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligations of the Bank. Based on the opinion of the legal counsel, the Bank is confident about the favorable outcome of this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matters were addressed in our audit
1.	<p>Provision (impairment) of loans and advances</p> <p>As disclosed in note 11 to the unconsolidated financial statements, gross loans and advances of the Bank were Rs. 1,151 billion against which non-performing loans and advances (NPLs) were of Rs. 149 billion. As at December 31, 2019, the Bank holds the provision of Rs. 134 billion against NPLs and Rs. 9 billion as general provision against performing loans.</p> <p>The carrying value of loans and advances to customers may be materially misstated, if provision is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Furthermore, the Bank is required to make provision, if any, identified by the regulator (SBP).</p> <p>We considered this as a key audit matter as the Bank in addition to the following objective criteria also makes significant and subjective judgements and makes assumptions to determine the provision and the timing of recognition of such provision and their impact could be material to the unconsolidated financial statements.</p>	<p>For selected samples, we:</p> <ul style="list-style-type: none"> Updated our understanding and evaluated design and implementation of relevant controls; evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security / collateral, electronic credit information bureau reports and compliance with Prudential Regulations; evaluated the appropriateness of subjective evaluation made by management for performing parties; ensured that any provision identified by the SBP was recognized; and in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations. <p>In addition to the above, on a sample basis, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures on which we performed the procedures as stated above.</p> <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>
2.	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</p> <p>As disclosed in note 10.1 to the unconsolidated financial statements, the Bank has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as available for sale. As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria.</p> <p>The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.23(c), and For TFCs, checked that listed TFCs which were traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated financial statements, consolidated financial statements and our auditors' reports thereon and our review report on Code of Corporate Governance.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As a part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to event: or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the unconsolidated statement of financial position, the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty (60) per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Khaliq-ur-Rahman on behalf of Deloitte Yousuf Adil and Grant Thornton Anjum Rahman respectively.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 28, 2020



Unconsolidated Statement of Financial Position

As at December 31, 2019

2018 ----- US Dollars in '000 -----	2019		Note	2019 ----- Rupees in '000 -----	2018
ASSETS					
1,598,464	1,889,040	Cash and balances with treasury banks	7	292,513,379	247,518,270
78,800	85,379	Balances with other banks	8	13,220,807	12,202,020
687,073	930,853	Lendings to financial institutions	9	144,140,344	106,391,667
8,294,086	9,294,042	Investments	10	1,439,160,062	1,284,319,388
5,980,119	6,510,524	Advances	11	1,008,139,084	926,007,004
347,825	350,690	Fixed assets	12	54,303,565	53,859,883
1,586	2,421	Intangible assets	13	374,950	245,658
-	46,635	Right of use assets	14	7,221,266	-
1,085,082	1,067,601	Other assets	15	165,315,413	168,022,298
18,073,035	20,177,185			3,124,388,870	2,798,566,188
LIABILITIES					
64,219	128,303	Bills payable	16	19,867,424	9,944,178
2,536,296	3,046,591	Borrowings	17	471,757,352	392,739,396
12,989,450	14,194,920	Deposits and other accounts	18	2,198,049,281	2,011,385,201
-	49,340	Lease liability against right of use assets	19	7,640,188	-
45,109	70,494	Deferred tax liabilities	20	10,915,802	6,985,042
1,102,012	1,185,325	Other liabilities	21	183,544,990	170,643,836
16,737,086	18,674,973			2,891,775,037	2,591,697,653
1,335,949	1,502,212	NET ASSETS		232,613,833	206,868,535
REPRESENTED BY					
137,394	137,394	Share capital	22	21,275,131	21,275,131
344,044	337,808	Reserves	23	52,308,742	53,274,402
387,388	453,634	Surplus on revaluation of assets	24	70,244,060	59,986,125
467,123	573,376	Unappropriated profit		88,785,900	72,332,877
1,335,949	1,502,212			232,613,833	206,868,535
CONTINGENCIES AND COMMITMENTS					
			25		

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2019

2018		2019				2019		2018		
----- US Dollars in '000 -----						Note	----- Rupees in '000 -----			
968,492	1,546,536	Mark-up / return / interest earned	26	239,477,316	149,968,712					
576,712	1,082,161	Mark-up / return / interest expensed	27	167,570,039	89,302,482					
391,780	464,375	Net mark-up / return / interest income		71,907,277	60,666,230					
NON MARK-UP / INTEREST INCOME										
113,185	123,506	Fee and commission income	28	19,124,546	17,526,399					
16,873	20,345	Dividend income		3,150,298	2,612,755					
61,287	39,040	Foreign exchange income		6,045,229	9,490,201					
25,395	13,637	Gain on securities - net	29	2,111,612	3,932,344					
17,354	37,248	Other income	30	5,767,800	2,687,237					
234,094	233,776	Total non-mark-up / interest income		36,199,485	36,248,936					
625,874	698,151	Total income		108,106,762	96,915,166					
NON MARK-UP / INTEREST EXPENSES										
359,627	424,321	Operating expenses	31	65,705,029	55,687,359					
-	-	Workers welfare fund		-	-					
1,576	956	Other charges	32	148,091	244,053					
361,203	425,277	Total non-markup / interest expenses		65,853,120	55,931,412					
264,671	272,874	Profit before provisions		42,253,642	40,983,754					
72,977	92,028	Provisions and write offs - net	33	14,250,275	11,300,373					
191,694	180,846	PROFIT BEFORE TAXATION		28,003,367	29,683,381					
62,437	78,746	Taxation	34	12,193,556	9,668,259					
129,257	102,100	PROFIT AFTER TAXATION		15,809,811	20,015,122					
----- US Dollars -----						----- Rupees -----				
0.06	0.05	Basic earnings per share	35	7.43	9.41					
0.06	0.05	Diluted earnings per share	36	7.43	9.41					

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2019

2018		2019				2019		2018	
----- US Dollars in '000 -----						----- Rupees in '000 -----			
129,257	102,100	Profit after taxation for the year		15,809,811					20,015,122
		Other comprehensive income							
		Items that may be reclassified to profit and loss account in subsequent periods:							
5,915	9,386	Exchange gain on translation of net assets of foreign branches		1,453,359					915,995
(62,611)	60,599	Movement in surplus / (deficit) on revaluation of investments - net of tax		9,383,632					(9,695,113)
(56,696)	69,985			10,836,991					(8,779,118)
		Items that will not be reclassified to profit and loss account in subsequent periods:							
1,006	(13,015)	Remeasurement (loss) / gain on defined benefit obligations - net of tax		(2,015,359)					155,785
130,850	4,022	Movement in surplus on revaluation of operating fixed assets - net of tax		622,871					20,261,759
(1,079)	3,171	Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax		490,984					(167,094)
130,777	(5,822)			(901,504)					20,250,450
203,338	166,263	Total comprehensive income		25,745,298					31,486,454

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Reserve						Surplus on revaluation of assets			Unappropriated profit	Total	
	Share capital	Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets			Total
Balances as at December 31, 2017	21,275,131	8,002,438	29,489,317	343,802	12,000,000	521,338	50,356,895	25,970,733	23,718,669	49,689,402	54,060,653	175,382,081
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	521,338	-	-	-	-	20,015,122	20,015,122
Other comprehensive income - net of tax	-	915,995	-	-	-	-	915,995	(9,695,113)	20,094,665	10,399,552	155,785	11,471,332
Transfer to statutory reserve	-	-	2,001,512	-	-	-	2,001,512	-	-	-	(2,001,512)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(102,829)	(102,829)	102,829	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2018	21,275,131	8,918,433	31,490,829	343,802	12,000,000	521,338	53,274,402	16,275,620	43,710,505	59,986,125	72,332,877	206,868,535
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	15,809,811	15,809,811
Other comprehensive income - net of tax	-	1,453,359	-	-	-	-	1,453,359	9,380,632	1,113,855	10,497,487	(2,015,359)	9,935,487
Transfer to statutory reserve	-	-	1,580,981	-	-	-	1,580,981	-	-	-	(1,580,981)	-
Transfer from loss loan reserve to unappropriated profit	-	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(239,552)	(239,552)	239,552	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	21,275,131	10,371,792	33,071,810	343,802	8,000,000	521,338	52,308,742	25,655,252	44,584,808	70,244,060	88,785,900	232,613,833

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2019

2018	2019		2019	2018
----- US Dollars in '000 -----			Note ----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES				
191,694	180,846	Profit before taxation	28,003,367	29,683,381
(16,873)	(20,345)	Less: dividend income	(3,150,298)	(2,612,755)
<u>174,821</u>	<u>160,501</u>		<u>24,853,069</u>	<u>27,070,626</u>
Adjustments:				
15,137	28,231	Depreciation	4,371,552	2,343,876
2,088	2,948	Amortization	456,532	323,312
72,978	92,028	Provision and write-offs	14,250,275	11,300,373
(858)	(191)	Gain on sale of fixed assets	(29,569)	(132,829)
97	4,812	Finance charges on leased assets	745,083	15,034
7	71	Unrealized loss on revaluation of investments classified as held-for-trading	10,996	1,033
38,916	48,408	Charge for defined benefit plans - net	7,495,742	6,026,025
<u>128,365</u>	<u>176,307</u>		<u>27,300,611</u>	<u>19,876,824</u>
303,186	336,808		52,153,680	46,947,450
(Increase) / decrease in operating assets				
(469,985)	(293,508)	Lendings to financial institutions	(45,448,677)	(72,775,554)
3,445,115	749,946	Held-for-trading securities	116,126,609	533,464,673
(1,309,784)	(609,565)	Advances	(94,389,067)	(202,815,775)
427,600	(8,401)	Other assets (excluding advance taxation)	(1,300,855)	66,212,428
2,092,946	(161,528)		(25,011,990)	324,085,772
Increase / (decrease) in operating liabilities				
(20,994)	64,084	Bills payable	9,923,246	(3,250,876)
89,302	495,364	Borrowings	76,705,422	13,828,071
1,835,901	1,205,477	Deposits and other accounts	186,664,080	284,283,182
(360,195)	43,155	Other liabilities	6,682,377	(55,775,017)
1,544,014	1,808,080		279,975,125	239,085,360
(97)	(4,812)	Financial charges paid	(745,083)	(15,034)
(64,065)	(75,913)	Income tax paid	(11,754,887)	(9,920,235)
(18,069)	(10,444)	Benefits paid	(1,617,201)	(2,797,931)
<u>3,857,915</u>	<u>1,892,191</u>	Net cash flow from operating activities	<u>292,999,644</u>	<u>597,385,382</u>
CASH FLOW FROM INVESTING ACTIVITIES				
(3,516,355)	(718,033)	Net investments in available-for-sale securities	(111,185,087)	(544,495,980)
43,077	(944,750)	Net investments in held-to-maturity securities	(146,291,431)	6,670,332
16,873	20,345	Dividends received	3,150,298	2,612,755
(13,620)	(13,781)	Investments in operating fixed assets	(2,133,961)	(2,108,936)
1,171	355	Proceeds from sale of operating fixed assets	54,929	181,394
5,915	9,386	Effect of translation of net investment in foreign branches	1,453,359	915,995
(3,462,939)	(1,646,478)	Net cash flow used in investing activities	(254,951,893)	(536,224,440)
CASH FLOW FROM FINANCING ACTIVITIES				
(94)	(13,201)	Payments of lease obligations	(2,044,189)	(14,509)
(164)	(14)	Dividend paid	(2,200)	(25,319)
(258)	(13,215)	Net cash flow used in financing activities	(2,046,389)	(39,828)
<u>394,718</u>	<u>232,498</u>	Increase in cash and cash equivalents	<u>36,001,362</u>	<u>61,121,114</u>
1,076,108	1,470,828	Cash and cash equivalents at beginning of the year	227,752,888	166,631,774
<u>1,470,826</u>	<u>1,703,326</u>	Cash and cash equivalents at end of the year	<u>263,754,250</u>	<u>227,752,888</u>

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (2018: 1,504) branches in Pakistan and 21 (2018: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in annexure II of these unconsolidated financial statements.

2.2 These are unconsolidated financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in the consolidated financial statements.

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 154.8476 to 1 US Dollar has been used for 2018 and 2019 as it was the prevalent rate as on December 31, 2019.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

-International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

-Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;

-Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and

-Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Acts, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The SECP, through SRO 220(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Bank in preparation of these unconsolidated financial statements. However, bank is required to submit their pro-forma financial statements based on IFRS-9 to SBP.

3.4 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

3.5 Application of new and revised International Financial Reporting Standards (IFRSs)

3.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2019

The following standards, amendments and interpretations are effective for the year ended December 31, 2019. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures. Effective from accounting period beginning on or after January 01, 2019.
- Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement. Effective from accounting period beginning on or after January 01, 2019.
- IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. Effective from accounting period beginning on or after January 01, 2019.
- During the current period, IFRS 16, Leases, became applicable for the Bank. The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 6.1.

Certain annual improvements have also been made to a number of IFRSs

3.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

3.5.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.5.4 The management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's unconsolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the unconsolidated financial statements of the Bank in the period of initial application.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at present value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these unconsolidated financial statement are consistent with those of the previous financial year except as disclosed in note 6 of the notes to unconsolidated financial statements.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks and call money lendings, less call borrowings and overdrawn nostro accounts.

5.2 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Bank has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV/ PKISRV) or the Stock Exchanges, as the case may be.

Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for impairment in value, if any.

5.3 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Bank does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

5.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

5.5 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Bank has transferred substantially all the risks and rewards of the asset, or (ii) the Bank has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.6 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Bank to maintain general provision against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

5.6.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognized in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Bank and the customer enter a Musharakah agreement where the Bank agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Bank finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Bank to recover the cost plus the agreed profit.

Under Tijarah, the Bank purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Bank provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

5.7 Fixed assets and depreciation

5.7.1 Property and equipment

5.7.1.1 Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are disposed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset.
- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.
- An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year and;
- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment. These are transferred to specific assets as and when assets are available for use.

5.7.3 Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income in profit and loss account.

5.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to profit and loss account applying the straight-line method at the rates stated in note 13. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

5.9 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised.

5.10 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

5.11 Taxation

5.11.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

5.11.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries and branches to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

5.12 Employee benefits

5.12.1 Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

5.12.2 Other employee benefits

Employees' compensated absences

The Bank also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

5.13 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations issued by SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees is recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realized. Unrealized lease income and other fees on classified leases are recognized on a receipt basis.

5.14 Net investment in finance lease

Leases where the bank transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.15 Foreign currencies translation

The Bank's financial statements are presented in Pak Rupees (Rs.) which is the Bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to statement of comprehensive income.

Statement of financial position balances of foreign branches are translated at exchange rate prevailing at balance sheet date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.16 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

5.17 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

5.19 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

5.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2019.

5.21 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions.

5.22 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in business activities (business segment), within a particular economic environment (geographical segment). The Bank's chief operating decision maker reviews the results and assesses performance of these segments separately.

During the year the Bank changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 43.

Business segments

The Bank is operating following business lines for monitoring and reporting purpose:

- I. **Branch Banking** consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and commercial customers.
- II. **Corporate & Investment Banking** consists of lending for project finance, trade finance and working capital to corporate customers.
- III. **Treasury** consists of proprietary trading, fixed income, equity, derivatives and foreign exchange business. Also includes credit, lending and funding activities with professional market counterparties.
- IV. **International Financial Institution & Remittance** is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations outside of Pakistan.
- V. **Aitemaad and Islamic Banking**; for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business segment.
- VI. **Head Office / Others** includes corporate items and business results not shown separately in one of the above segment.

Geographical segments

The Bank is operating following geographic lines for monitoring and reporting purpose:

- I. Pakistan
- II. Asia Pacific (including South Asia)
- III. Europe
- IV. United States of America
- V. Middle East

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

5.23 Accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates, judgments and associated assumptions used in the preparation of the unconsolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these unconsolidated financial statements are as follows:

a) Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Bank has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Bank considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Bank has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Bank follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments till maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The Bank also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 39. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

6. CHANGE IN ACCOUNTING POLICY

6.1 The Bank has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 01, 2019 was 10% for the agreements entered in Pakistan. For the foreign agreement the bank has applied average incremental rate of borrowing 6.54%

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Bank leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

The effect of this change in accounting policy is as follows:

Impact on unconsolidated statement of financial position

	December 31, 2019	January 1, 2019
----- Rupees in '000 -----		
Increase in fixed assets - right-of-use assets	7,221,266	7,908,684
(Decrease) in other assets - advances, deposits, advance rent and other prepayments	(111,544)	(252,132)
Increase in total assets	7,109,722	7,656,552
Increase in other liabilities - lease liability against right-of-use assets	(7,640,188)	(7,656,552)
(Decrease) in exchange translation reserves	124,779	-
(Decrease) / increase in net assets	(405,688)	-

Impact on unconsolidated of profit and loss account

	January - December 2019
Rupees in '000	
Increase in mark-up expense - lease liability against right-of-use assets	(719,136)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(1,872,971)
- Rent expense	1,927,044
Decrease in profit before tax	(665,063)
Decrease in tax	259,375
Decrease in profit after tax	(405,688)

- 6.2 IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the unconsolidated financial statements of the Bank.

	2019	2018
Note	----- Rupees in '000 -----	
7. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	48,571,567	39,549,448
Foreign currency	4,565,061	4,415,703
	53,136,628	43,965,151
With State Bank of Pakistan in:		
Local currency current accounts	7.1 168,326,804	130,180,519
Foreign currency current accounts	7.2 9,116,381	7,029,780
Foreign currency deposit accounts	7.2 27,850,977	21,240,971
Foreign currency collection accounts	1,473,861	1,812,339
	206,768,023	160,263,609
With other central banks in:		
Foreign currency current accounts	7.3 25,994,672	41,438,832
Foreign currency deposit accounts	7.3 4,865,977	1,455,866
	30,860,649	42,894,698
Prize bonds	1,748,079	394,812
	292,513,379	247,518,270

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

- 7.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 7.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.3** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 2.17% per annum (2018: 0% to 0.75% per annum).

	Note	2019 ----- Rupees in '000 -----	2018 -----
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
In deposit accounts	8.1	5,841	4,307
		5,841	4,307
Outside Pakistan:			
In current accounts		6,476,086	6,437,346
In deposit accounts	8.2	6,738,880	5,760,367
		13,214,966	12,197,713
		13,220,807	12,202,020

8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 11.25% per annum (2018: 4% to 9.25% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.17% per annum (2018: 0% to 2.16% per annum).

	Note	2019 ----- Rupees in '000 -----	2018 -----
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	540,800	8,240,800
Repurchase agreement lendings (reverse repo)	9.2	132,180,048	96,733,168
Bai Muajjal receivable with State Bank of Pakistan	9.3	11,419,496	1,417,699
Letters of placement	9.4	176,150	176,150
	9.5	144,316,494	106,567,817
Less: provision held against lendings to financial institutions	9.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		144,140,344	106,391,667

9.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (2018: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 13.0% to 13.58% per annum (2018: 8.45% to 10.41% per annum) with maturities ranging from January 2, 2020 to January 17, 2020.

9.3 This represents Bai Muajjal agreement entered into with SBP and carries mark-up average rate of 12.57% (2018: 6.33%) per annum.

9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2019.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

2019 2018
----- Rupees in '000 -----

9.5 Particulars of lending

In local currency	144,316,494	106,567,817
In foreign currencies	-	-
	144,316,494	106,567,817

9.6 Movement in provision held against lendings is as follows:

Opening balance	176,150	176,150
Charge for the year	-	-
Closing balance	176,150	176,150

9.7 Securities held as collateral against Lendings to financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	124,080,048	-	124,080,048	70,283,168	-	70,283,168
Pakistan Investment Bonds	8,100,000	-	8,100,000	26,450,000	-	26,450,000
Total	132,180,048	-	132,180,048	96,733,168	-	96,733,168

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 132,453 million (2018: Rs. 95,739 million).

9.8 Category of classification

	2019		2018	
	Classified lending	Provision held	Classified lending	Provision held
	----- Rupees in '000 -----			
Domestic				
Loss	176,150	176,150	176,150	176,150
Total	176,150	176,150	176,150	176,150

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- Rupees in '000 -----								
10. INVESTMENTS								
10.1 Investments by type:								
Held-for-trading securities								
Market Treasury Bills	26,911,821	-	(24,649)	26,887,172	149,885,647	-	(973)	149,884,674
Pakistan Investment Bonds	9,116,239	-	15,695	9,131,934	2,333,574	-	(67)	2,333,507
Ordinary shares of listed companies	75,705	-	(2,042)	73,663	1,190	-	7	1,197
	36,103,765	-	(10,996)	36,092,769	152,220,411	-	(1,033)	152,219,378
Available-for-sale securities								
Pakistan Investment Bonds	322,248,605	-	(1,961,853)	320,286,752	207,581,489	-	(12,318,101)	195,263,388
Market Treasury Bills	593,936,881	-	967,544	594,904,425	592,123,867	-	(28,707)	592,095,160
Ijarah Sukuks	2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
Ordinary shares of listed companies	29,025,568	(5,723,164)	18,487,730	41,790,134	26,005,893	(3,978,333)	17,031,223	39,058,783
Ordinary shares of unlisted companies	2,101,182	(507,573)	-	1,593,609	2,005,182	(410,893)	-	1,594,289
Preference shares	570,214	(490,826)	-	79,388	570,535	(433,444)	(11,155)	125,936
Investments in mutual funds	619,646	(41,167)	1,324,745	1,903,224	819,646	(40,642)	1,248,404	2,027,408
Ordinary shares of a bank outside Pakistan	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284
Term Finance Certificates / Musharika and Sukuk Bonds	60,253,886	(4,942,505)	941,278	56,252,659	58,762,773	(4,761,669)	2,264,936	56,266,040
GoP Foreign Currency Bonds	21,138,771	-	1,337,759	22,476,530	25,462,626	-	(515,692)	24,946,934
Foreign Government Securities	3,474,324	-	17,527	3,491,851	968,567	-	(148,117)	820,450
Foreign Currency Debt Securities	1,408,492	-	13,779	1,422,271	1,551,903	-	(94,342)	1,457,561
	1,037,240,863	(11,705,235)	39,475,771	1,065,011,399	926,055,776	(9,624,981)	22,943,322	939,374,117
Held-to-maturity securities								
Pakistan Investment Bonds	184,864,103	-	-	184,864,103	157,346,442	-	-	157,346,442
Market Treasury Bills	114,091,320	-	-	114,091,320	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	416,707	(407,134)	-	9,573	696,956	(412,384)	-	284,572
GoP Foreign Currency Bonds	4,087,591	-	-	4,087,591	2,859,233	-	-	2,859,233
Foreign Government Securities	29,600,343	-	-	29,600,343	25,866,066	-	-	25,866,066
Foreign Currency Debt Securities	596	-	-	596	532	-	-	532
	333,060,660	(407,134)	-	332,653,526	186,769,229	(412,384)	-	186,356,845

Note

10.12/10.13

10.6

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019				2018				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	
	Rupees in '000								
Note									
Associates	10.8/10.9	4,970,863	(3,999,416)	-	971,447	4,970,863	(3,793,405)	-	1,177,458
Joint Venture	10.11	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
Subsidiaries		3,906,750	(1,838,262)	-	2,068,488	3,906,750	(1,077,593)	-	2,829,157
Total investments		1,417,645,334	(17,950,047)	39,464,775	1,439,160,062	1,276,285,462	(14,908,363)	22,942,289	1,284,319,388
10.2 Investments by segments:									
Federal Government Securities									
Market Treasury Bills		734,940,022	-	942,895	735,882,917	742,009,514	-	(29,660)	741,979,834
Pakistan Investment Bonds		516,228,947	-	(1,946,158)	514,282,789	367,261,505	-	(12,318,168)	354,943,337
Ijarah Sukuks		2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
		1,253,168,969	-	(1,024,463)	1,252,144,506	1,119,011,019	-	(12,403,964)	1,106,607,055
Shares									
Listed Companies	10.12/10.13	29,101,273	(5,723,164)	18,485,688	41,863,797	26,007,083	(3,978,333)	17,031,230	39,069,980
Unlisted Companies		2,101,182	(507,573)	-	1,593,609	2,005,182	(410,893)	-	1,594,289
		31,202,455	(6,230,737)	18,485,688	43,457,406	28,012,265	(4,389,226)	17,031,230	40,654,269
Non Government Debt Securities									
Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds									
Listed		22,471,459	(971,908)	405,860	21,905,411	16,118,891	(971,906)	-	15,146,985
Unlisted		38,199,134	(4,377,732)	535,418	34,356,820	43,340,838	(4,202,147)	2,264,936	41,403,627
		60,670,593	(5,349,640)	941,278	56,262,231	59,459,729	(5,174,053)	2,264,936	56,550,612
Foreign Securities									
GoP Foreign Currency Bonds		25,226,362	-	1,337,759	26,564,121	28,321,859	-	(515,692)	27,806,167
Foreign Government Securities		33,074,667	-	17,527	33,092,194	26,834,633	-	(148,117)	26,686,516
Foreign Currency Debt Securities		1,409,088	-	13,779	1,422,867	1,552,435	-	(94,342)	1,458,093
		59,710,117	-	1,369,065	61,079,182	56,708,927	-	(758,151)	55,950,776
Preference shares		570,214	(490,826)	-	79,388	570,535	(433,444)	(11,155)	125,936

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- Rupees in '000 -----								
Investments in mutual funds	619,646	(41,167)	1,324,745	1,903,224	819,646	(40,642)	1,248,404	2,027,408
Ordinary shares of a bank outside Pakistan	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284
Associates								
- Listed								
First Credit and Investment Bank Limited	157,429	(106,430)	-	50,999	157,429	(106,430)	-	50,999
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-
SG Allied Businesses Limited	218,535	(218,535)	-	-	218,535	(218,535)	-	-
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
NBP Stock Funds	600,000	(156,183)	-	443,817	600,000	-	-	600,000
AgriTech Limited	3,665,605	(3,217,164)	-	448,441	3,665,605	(3,167,336)	-	498,269
	4,730,339	(3,787,082)	-	943,257	4,730,339	(3,581,071)	-	1,149,268
- Unlisted								
Pakistan Emerging Venture Limited	50,563	(50,563)	-	-	50,563	(50,563)	-	-
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Assets Insurance Company Limited	44,817	(16,627)	-	28,190	44,817	(16,627)	-	28,190
Dadabhoj Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
	240,524	(212,334)	-	28,190	240,524	(212,334)	-	28,190
	4,970,863	(3,999,416)	-	971,447	4,970,863	(3,793,405)	-	1,177,458
Joint Venture								
United National Bank Limited	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
Subsidiaries								
CJSC Subsidiary Bank of NBP in Kazakhstan	2,185,644	(1,181,866)	-	1,003,778	2,185,644	(660,880)	-	1,524,764
CJSC Subsidiary Bank of NBP in Tajikistan	953,783	(500,151)	-	453,632	953,783	(289,766)	-	664,017
NBP Exchange Company Limited	300,000	-	-	300,000	300,000	-	-	300,000
NB Modaraba Management Company Limited	105,000	(105,000)	-	-	105,000	(75,702)	-	29,298
Taurus Securities Limited	24,725	-	-	24,725	24,725	-	-	24,725
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
NBP Funds Management Limited	336,353	(50,000)	-	286,353	336,353	(50,000)	-	286,353
	3,906,750	(1,838,262)	-	2,068,488	3,906,750	(1,077,593)	-	2,829,157
Total investments	1,417,645,334	(17,950,047)	39,464,775	1,439,160,062	1,276,285,462	(14,908,363)	22,942,289	1,284,319,388

Note

10.6

10.7

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10.10

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10.11

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	Rupees in '000	
	4,150,000	9,500,000
	360,000,000	274,350,000
	364,150,000	283,850,000

10.2.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
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10.2.2 Associates

Listed

First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2019	1,385,301	666,708	116,844	9,517	(3,658)
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2019	192,322	244,272	-	(2,042)	10,359
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2019	553,295	420,585	4,624	(16,307)	(4,179)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	1,06,014,565	27.01	Pakistan	December 31, 2018	46,209,442	51,097,983	4,533,316	(3,343,673)	(3,343,799)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2019	12,122,129	226,870	(2,380,792)	(2,848,721)	(2,848,721)

Unlisted

Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345	-	(445)	(445)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A*	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2018	635,639	5,670	39,357	8,589	8,722
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoj Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-

* Not available

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
----- Rupees in '000 -----									
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2019	2,965,814	2,956,654	318,976	52,347	52,347
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,276,425	88,290,229	2,217,629	(214,079)	1,614,231
10.2.4 Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100.00	Kazakhstan	December 31, 2019	1,977,140	241,119	103,841	(62,552)	(62,552)
CJSC Subsidiary Bank of NBP in Tajikistan	10,000	100.00	Tajikistan	December 31, 2019	2,128,187	1,268,617	102,229	27,275	27,275
NBP Exchange Company Limited	85,758,750	100.00	Pakistan	December 31, 2019	1,140,677	21,730	29,283	112,257	112,257
NB Modaraba Management Company Limited	10,500,000	100.00	Pakistan	December 31, 2019	120,590	97,259	3,906	(4,936)	(4,936)
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2019	599,202	308,503	13,604	915	915
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-
NBP Fund Management Limited	13,499,996	54.00	Pakistan	June 30, 2019	1,900,909	892,427	1,395,791	190,224	182,931
* Not available									
10.3 Provision for diminution in value of investments									
Opening balance								2019	2018
Charge / reversals								Rupees in '000	Rupees in '000
Charge for the year								14,908,363	14,679,566
Reversals for the year								3,425,825	1,599,536
								(384,143)	(1,370,739)
Closing balance								3,041,682	228,797
								17,950,047	14,908,363
10.3.1 Particulars of provision against debt securities									
Category of classification									
					2019	Provision	NPI	2018	Provision
----- Rupees in '000 -----									
Domestic									
Doubtful					426,170	213,086			
Loss					5,145,314	5,136,554		5,182,817	5,174,053
Total					5,571,484	5,349,640		5,182,817	5,174,053

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

10.4 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

	2019	2018
	-----Rupees in '000 -----	
Federal government securities - government guaranteed		
Market Treasury Bills	593,936,881	592,123,867
Pakistan Investment Bonds	322,248,605	207,581,489
Ijarah Sukuks	2,000,000	9,740,000
Cost	918,185,486	809,445,356
Shares		
Listed companies sector - wise		
Automobile Assembler	212,858	78,753
Automobile Parts & Accessories	757,309	848,644
Cable and Electrical Goods	249,604	235,374
Cement	2,876,794	1,976,437
Chemical	261,598	297,650
Commercial Banks	2,874,502	2,915,297
Engineering	670,867	680,678
Fertilizer	1,539,023	1,716,509
Food and Personal Care	1,359,655	1,347,825
Glass and Ceramics	73,016	73,016
Insurance	980,165	1,015,885
Investment Banks / Investment companies / Securities companies	341,624	186,718
Leasing Companies	21,891	21,891
Leather and Tanneries	189,470	215,712
Modarabas	120	120
Oil and Gas Exploration Companies	2,357,129	520,332
Oil and Gas Marketing Companies	5,799,864	5,794,620
Paper and Board	172,695	299,373
Pharmaceuticals	361,833	465,244
Power Generation and Distribution	2,778,748	2,791,685
Real Estate Investment Trust	586,526	583,581
Refinery	1,253,494	1,253,494
Sugar and Allied Industries	288,527	288,527
Synthetic and Rayon	91,980	91,980
Technology and Communication	993,620	950,961
Textile Composite	1,242,681	690,218
Textile Spinning	485,713	514,186
Textile Weaving	25,854	-
Transport	32,385	32,385
Vanaspati and Allied Industries	58,890	31,665
Woollen	647	647
Miscellaneous	86,486	86,486
	29,025,568	26,005,893

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	4,784	324,651	4,784	331,931
Gelcaps Pakistan Limited	4,665	9,801	4,665	25,340
Pakistan Agriculture Storage Service Corporation	5,500	109,831	5,500	109,831
Al Ameen Textile	327	N/A*	327	N/A
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	121	N/A	121	N/A
Arabian Sea Country Club	6,500	N/A	6,500	N/A
Atlas Power Limited	375,000	1,130,503	375,000	822,501
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	235,200	140,743	235,200	128,556
Pakistan Mortgage Refinance Company Limited	600,000	608,951	600,000	400,950
F.T.C. Management Company Private Limited	250	36,908	250	34,657
Fauji Akbar Portia Marines Terminal Limited	321,076	515,937	321,076	171,350
Fauji Oil Terminals and Distribution Limited	10,886	69,747	10,886	45,199
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,408	5,000	8,975
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	43,979	30,346	36,058
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	71,187	1,526	71,187
National Investment Trust Limited	100	832,931	100	1,796
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	24,983	100	24,983
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Rishabh Metals and Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,269,793	132,888	1,175,636
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoab Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A

* Not available

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019		2018	
	Cost	Breakup value	Cost	Breakup value
----- Rupees in '000 -----				
Union Insurance Company of Pakistan	4	N/A*	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Guarantee) Limited	50,000	147,332	50,000	N/A
Pakistan Corporate Restructuring Company Limited	96,000	N/A	-	-
	2,101,182		2,005,182	

----- Rupees in '000 -----

Debt Securities

Listed

- AAA	1,547,830	1,897,847
- AA+, AA, AA-	7,739,909	4,447,877
- A+, A, A-	299,880	419,073
- Unrated	12,855,892	9,326,145
Cost	22,443,511	16,090,943

Unlisted

- AAA	23,554,109	5,805,117
- AA+, AA, AA-	801,000	-
- A+, A, A-	500,000	495,299
- Unrated	12,955,266	36,371,414
Cost	37,810,375	42,671,830

* Not available

Foreign Securities

Government Securities

	2019		2018	
	Cost	Rating	Cost	Rating
----- Rupees in '000 -----				
USA	3,474,324	AA+	968,567	AA+

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 328,496 million (2018: Rs. 172,378 million).

10.6 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2018: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2018: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.7 The 94,273,510 (2018: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2019 amounted to Rs. 4.23 per share resulting in an impairment of Rs. 3,217 million (2018: Rs. 3,167 million) which has been fully recorded in these unconsolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,014 million (2018: Rs. 1,267 million).

10.9 Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

10.10 The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
National Assets Insurance Limited	December 31, 2018	56,464
Pakistan Emerging Venture Limited	June 30, 2018	341
Pakistan Mercantile Exchange Limited	June 30, 2019	3,112
	2019	2018
Note	----- Rupees in '000 -----	-----

10.11 Investments in joint venture

United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	2,362,433	2,362,433
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10.11.1 Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

10.12 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2018: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.13 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2019 amounts to Rs. 8,741 million. These shares can not be sold without concurrence of privatization commission.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Performing		Non Performing		Total
	2019	2018	2019	2018	
	----- Rupees in '000 -----				
Loans, cash credits, running finances, etc.	936,148,400	880,003,382	141,787,259	126,902,168	1,077,935,659
Islamic financing and related assets	33,880,111	26,741,733	203,934	364,825	34,084,045
Net Investment in Finance Lease	71,576	80,543	-	24,104	71,576
Bills discounted and purchased	32,463,246	19,294,694	6,760,524	6,068,698	39,223,770
Advances - gross	1,002,563,333	926,120,352	148,751,717	133,359,795	1,151,315,050
Provision against advances	-	-	134,170,016	126,266,039	134,170,016
- Specific	9,005,950	7,207,104	-	-	9,005,950
- General	9,005,950	7,207,104	134,170,016	126,266,039	143,175,966
Advances - net of provision	993,557,383	918,913,248	14,581,701	7,093,756	1,008,139,084
	----- Rupees in '000 -----				
	2019		2018		
	Later than one and less than five years	Over five years	Not later than one year	Later than one and less than five years	Total
Lease rentals receivable	11,634	-	22,069	29,146	56,986
Residual value	45,666	-	55,283	41,211	57,888
Minimum lease payments	57,300	-	77,351	70,357	114,673
Financial charges for future periods	4,982	-	5,775	7,516	10,026
Present value of minimum lease payments	52,318	-	71,576	62,841	104,647

11.1 Net investment in finance lease

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 19.46% (2018: 10.19% to 14.47%) per annum.

11.2 Particulars of advances (Gross)

	2019	2018
	----- Rupees in '000 -----	
In local currency	1,052,019,665	969,752,303
In foreign currencies	99,295,385	89,727,844
	1,151,315,050	1,059,480,147

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

- 11.3 Advances includes Rs.148,752 million (2018: Rs.133,360 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
Domestic				
Other Assets Especially Mentioned	1,290,081	78,430	1,272,606	64,543
Substandard	10,292,449	2,550,709	3,783,452	923,008
Doubtful	6,439,788	3,207,031	1,398,861	689,032
Loss	89,680,047	88,523,275	87,723,307	86,518,782
	107,702,365	94,359,445	94,178,226	88,195,365
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
> 365 days	41,049,352	39,810,571	39,181,569	38,070,674
	41,049,352	39,810,571	39,181,569	38,070,674
Total	148,751,717	134,170,016	133,359,795	126,266,039

11.4 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	126,266,039	7,207,104	133,473,143	110,650,722	6,515,067	117,165,789
Exchange adjustments	3,803,802	28,732	3,832,534	7,687,525	111,206	7,798,731
Charge for the year	11,335,930	2,018,117	13,354,047	14,157,878	1,330,247	15,488,125
Reversals	(4,681,591)	(248,003)	(4,929,594)	(5,956,687)	(749,416)	(6,706,103)
	6,654,339	1,770,114	8,424,453	8,201,191	580,831	8,782,022
Amounts written off 11.5.1	(33,004)	-	(33,004)	(12,118)	-	(12,118)
Amounts charged off - agriculture financing 11.4.1.3	(232,480)	-	(232,480)	(261,281)	-	(261,281)
Amount charged off international branches	(1,776,734)	-	(1,776,734)	-	-	-
Other movement	(511,946)	-	(511,946)	-	-	-
Closing balance	134,170,016	9,005,950	143,175,966	126,266,039	7,207,104	133,473,143

11.4.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	94,359,445	8,550,135	102,909,580	88,195,365	6,949,253	95,144,618
In foreign currencies	39,810,571	455,815	40,266,386	38,070,674	257,851	38,328,525
	134,170,016	9,005,950	143,175,966	126,266,039	7,207,104	133,473,143

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

11.4.1.1 The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Bank has also maintained general provision of Rs. 2,500 million (2018: Rs. 2,500 million) in respect of its corporate portfolio on prudent basis.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019.

11.4.1.3 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
11.5 Particulars of write-offs			
11.5.1 Against provisions	11.5.2	33,004	12,118
11.5.2 Write-offs of Rs. 500,000 and above - Domestic Write-offs of below Rs. 500,000	11.6	5,957 27,047	1,835 10,283
		33,004	12,118

11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-I (except where such disclosure is restricted by overseas regulatory authorities).

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
12. FIXED ASSETS			
Capital work-in-progress	12.1	2,114,172	1,934,605
Property and equipment	12.2	52,189,393	51,925,278
		54,303,565	53,859,883
12.1 Capital work-in-progress			
Civil works		1,999,863	1,863,208
Equipment		15,446	15,884
Advances to suppliers and contractors		58,372	55,513
License and implementation fee for core banking software		40,491	-
		2,114,172	1,934,605

12.2 Property and equipment

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

2019									
Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
20,108,881	18,684,751	6,465,668	3,954,408	5,021,096	3,984,144	5,125,318	1,219,804	165,253	64,729,323
-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,964)	(432,861)	(165,252)	(12,804,045)
20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
----- Rupees in '000 -----									
Year ended December 2019									
Opening net book value	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
Additions	-	-	50,606	686,788	86,550	595,897	127,606	-	1,547,447
Movement in surplus on assets revalued	-	-	86,281	-	-	-	-	-	653,070
Disposals	-	-	-	(15,440)	(2,283)	(4,998)	(115,378)	-	(138,099)
Depreciation charge	-	(286,510)	(173,871)	(667,117)	(283,627)	(571,077)	(325,670)	-	(2,307,872)
Depreciation adjustment - disposal	-	-	-	12,942	2,064	3,839	93,894	-	112,739
Exchange rate adjustments	-	-	12,204	19,719	24,013	21,177	1,444	-	78,557
Other adjustments / transfers	-	111,330	-	206,943	-	-	-	-	318,273
Closing net book value	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
At December 31, 2019									
Cost / revalued amount	19,362,870	6,465,668	4,310,442	5,712,163	4,092,424	5,737,394	1,233,476	165,253	67,188,571
Accumulated depreciation	-	(948,528)	(729,730)	(3,974,903)	(3,967,926)	(4,548,202)	(664,637)	(165,252)	(14,999,178)
Net book value	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Rate of depreciation (percentage)									
Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on cost

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

2018										
	Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
At January 1, 2018										
Cost / Revalued amount	11,209,212	10,380,661	3,036,962	2,912,966	4,287,262	3,691,588	4,539,232	1,105,121	165,253	41,328,257
Accumulated depreciation	-	-	(554,785)	(458,819)	(2,722,106)	(3,266,810)	(3,466,794)	(307,302)	(165,252)	(10,941,868)
Net book value	11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Year ended December 2018										
Opening net book value	11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Additions	-	-	4,307	21,811	740,534	294,461	587,715	322,148	-	1,970,976
Movement in surplus on assets revalued	8,917,543	8,304,090	3,425,617	939,428	-	-	-	-	-	21,586,678
Disposals	(17,874)	-	(1,218)	-	(6,700)	(1,905)	(1,629)	(207,465)	-	(236,791)
Depreciation charge	-	-	(107,233)	(97,040)	(604,145)	(421,146)	(515,117)	(305,722)	-	(2,050,403)
Depreciation adjustment - disposal	-	-	-	-	5,523	1,593	947	180,163	-	188,226
Exchange rate adjustments	-	-	-	80,203	-	-	-	-	-	80,203
Closing net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
At December 31, 2018										
Cost / Revalued amount	20,108,881	18,684,751	6,465,668	3,954,408	5,021,096	3,984,144	5,125,318	1,219,804	165,253	64,729,323
Accumulated depreciation	-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,964)	(432,861)	(165,252)	(12,804,045)
Net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	

During the year ended December 31, 2019, land and building were revalued. The basis of revaluations were desk scope valuations and were carried by RBS associates Private Limited (PBA registered valuer) resulting in surplus of Rs. 653 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

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12.3 Details of disposal of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Purchaser Name
-----Rupees in '000-----							
Office Equipment	90	56	56	-	As per entitlement	Ex-Employee	Zahid Mahmood Chaudry
Office Equipment	35	35	35	-	As per entitlement	Ex-Employee	Waseem Akhtar Khan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	38	38	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Office Equipment	50	33	33	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	31	31	-	As per entitlement	Ex-Employee	Jawed Anwar Khan
Office Equipment	128	58	58	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	145	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	286	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	93	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	74	9	9	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	95	28	28	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	50	25	25	-	As per entitlement	Ex-Employee	Basharat Ali
Office Equipment	50	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Office Equipment	15	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	<u>1,240</u>	<u>345</u>	<u>345</u>	<u>-</u>			
Electrical Installations	720	120	120	-	As per entitlement	Ex-Employee	Mudassir Husain Khan
Electrical Installations	800	693	693	-	As per entitlement	Ex-Employee	Qamar Hussain
	<u>1,520</u>	<u>813</u>	<u>813</u>	<u>-</u>			
Computer Equipment	97	0	10	10	As per entitlement	Employee	Qaisar Alam
Computer Equipment	285	214	214	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Computer Equipment	64	0	6	6	As per entitlement	Employee	Gurbuksh Rajpal
Computer Equipment	102	0	10	10	As per entitlement	Ex-Employee	Sarfaraz Ahmed
Computer Equipment	93	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Computer Equipment	102	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	<u>743</u>	<u>219</u>	<u>245</u>	<u>26</u>			
Furniture and fixtures	175	29	29	-	As per entitlement	Ex-Employee	Waseem Bashir
Furniture and fixtures	150	13	13	-	As per entitlement	Ex-Employee	Muhammad Azhar Khan
Furniture and fixtures	150	22	22	-	As per entitlement	Ex-Employee	Pervaiz Iqbal
Furniture and fixtures	500	158	158	-	As per entitlement	Ex-Employee	Shehzad A Shami
Furniture and fixtures	175	69	69	-	As per entitlement	Ex-Employee	Zahra Kausar
Furniture and fixtures	150	4	4	-	As per entitlement	Ex-Employee	Ian Saeed
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Muhammad Anwar Shinwari
Furniture and fixtures	175	76	76	-	As per entitlement	Ex-Employee	Maqsood Ahmed Rashad
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Ali Ahmed Panezal
Furniture and fixtures	150	11	11	-	As per entitlement	Ex-Employee	Ali Asghar Channa
Furniture and fixtures	175	42	42	-	As per entitlement	Ex-Employee	Muhammad Saleem Baig
Furniture and fixtures	150	10	10	-	As per entitlement	Ex-Employee	Muhammad Azharulla
Furniture and fixtures	150	15	15	-	As per entitlement	Ex-Employee	Muhammad Ayub Bhatti
Furniture and fixtures	300	74	74	-	As per entitlement	Ex-Employee	Ansar Raza Goraha

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Purchaser Name
-----Rupees in '000-----							
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Atif Najam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Abid Akhtar
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Farrukh Wazir
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Imdad Ali Babar
Furniture and fixtures	150	14	14	-	As per entitlement	Ex-Employee	Ghulam Dastagir
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture and fixtures	175	13	13	-	As per entitlement	Ex-Employee	Sikandar Hayat
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Ghulam Ali Memon
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture and fixtures	150	90	90	-	As per entitlement	Ex-Employee	Muhammad Saeed Noor
Furniture and fixtures	175	31	31	-	As per entitlement	Ex-Employee	Samuel Robin
Furniture and fixtures	175	26	26	-	As per entitlement	Ex-Employee	Muhammad Hassain Rin
Furniture and fixtures	175	7	7	-	As per entitlement	Ex-Employee	Jaffer Hussain Shah
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Tajammal Hussain Zafar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Bashir Ahmed Rahojo
Furniture and fixtures	175	97	97	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Muhammad Tanveer Khan
Furniture and fixtures	150	25	25	-	As per entitlement	Ex-Employee	Tariq Hussain
Furniture and fixtures	150	70	70	-	As per entitlement	Ex-Employee	Ghulam Haider Shaikh
Furniture and fixtures	175	47	47	-	As per entitlement	Ex-Employee	Syed Kazim Raza
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Seema Masood
Furniture and fixtures	175	28	28	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Liaqat Ali Junejo
Furniture and fixtures	175	58	58	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Furniture and fixtures	150	6	6	-	As per entitlement	Ex-Employee	Jawed Masood
Furniture and fixtures	150	7	7	-	As per entitlement	Ex-Employee	Muhammad Azam Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Syed Nigha Hussain Shah
Furniture and fixtures	150	53	53	-	As per entitlement	Ex-Employee	Muhammad Khalid Khanzada
Furniture and fixtures	150	39	39	-	As per entitlement	Ex-Employee	Zia Ahmed Siddiqi
Furniture and fixtures	150	50	50	-	As per entitlement	Ex-Employee	Syed Afzal Sadiq
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Muhammad Akram Khan
Furniture and fixtures	150	5	5	-	As per entitlement	Ex-Employee	Shafaullah Khan
Furniture and fixtures	150	19	19	-	As per entitlement	Ex-Employee	Samina Mansoor
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Akhtar Hussain Khowaja
Furniture and fixtures	175	80	80	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zia Afshan Akram
Furniture and fixtures	150	80	80	-	As per entitlement	Ex-Employee	Nawab Zada
Furniture and fixtures	175	36	36	-	As per entitlement	Ex-Employee	Ahmed Bilal Hussain
Furniture and fixtures	500	217	217	-	As per entitlement	Ex-Employee	Qamar Hussain
Furniture and fixtures	150	58	58	-	As per entitlement	Ex-Employee	Jan Muhammad
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Zeeshan Wakeel
Furniture and fixtures	175	23	23	-	As per entitlement	Ex-Employee	Basharat Ali

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Purchaser Name
-----Rupees in '000-----							
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zulfiqar Ali Memon
Furniture and fixtures	150	48	48	-	As per entitlement	Ex-Employee	Muhammad Qasim
Furniture and fixtures	150	33	33	-	As per entitlement	Ex-Employee	Hafeez Ur Rehman
Furniture and fixtures	175	18	18	-	As per entitlement	Ex-Employee	Pervaiz Ahmed Kiyani
Furniture and fixtures	150	55	55	-	As per entitlement	Ex-Employee	Nauman Shahid
Furniture and fixtures	175	20	20	-	As per entitlement	Ex-Employee	Ali Azam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	ChLiaquat Iqbal
Furniture and fixtures	150	1	1	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture and fixtures	150	63	63	-	As per entitlement	Ex-Employee	Juma Gul Khattak
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Habib Ali
	<u>11,625</u>	<u>2,498</u>	<u>2,498</u>	<u>-</u>			
Vehicles	1,658	608	608	-	As per entitlement	Ex-Employee	Ali Ahmed Panezi
Vehicles	5,106	1,532	1,532	-	As per entitlement	Ex-Employee	Shahzad A Shami
Vehicles	1,538	154	154	-	As per entitlement	Ex-Employee	Muhammad Ashfaq Khan
Vehicles	1,628	497	497	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Vehicles	1,538	0	154	154	As per entitlement	Ex-Employee	M Yaqoob
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Amir Sattar
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Sultana Naheed
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Tariq Jamali
Vehicles	1,764	1,382	1,382	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Vehicles	1,269	973	973	-	As per entitlement	Ex-Employee	Rizwan Hameed
Vehicles	1,764	1,235	1,235	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Vehicles	1,664	887	887	-	As per entitlement	Ex-Employee	Basharat Ali
Vehicles	1,628	1,022	1,022	-	As per entitlement	Ex-Employee	Arshad Mahmood Mian
Vehicles	1,658	580	580	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Vehicles	1,664	971	971	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Vehicles	5,105	766	766	-	As per entitlement	Ex-Employee	Qamar Hussain
Vehicles	1,658	304	304	-	As per entitlement	Employee	S.M Ayub
Vehicles	1,552	310	310	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
Vehicles	1,664	804	804	-	As per entitlement	Employee	Muhammad Irfan Khan
Vehicles	1,858	372	372	-	As per entitlement	Employee	Shahid Iqbal Dar
Vehicles	1,858	341	341	-	As per entitlement	Employee	Mirza Babar Baig
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rana Imdad Hussain
Vehicles	1,858	372	372	-	As per entitlement	Employee	Azra Naila Uzair
Vehicles	1,658	332	332	-	As per entitlement	Employee	Tahir Shahbaz Anjum
Vehicles	1,658	332	332	-	As per entitlement	Employee	Saleem Tahir
Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Wajid
Vehicles	1,658	332	332	-	As per entitlement	Employee	Nasir Abbas
Vehicles	1,858	372	372	-	As per entitlement	Employee	Faisal Ahmed Topra
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mudassir Nabi
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rizwana Ammar
Vehicles	1,658	332	332	-	As per entitlement	Employee	Aqib Malik
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mumtaz Rafi
	<u>70,518</u>	<u>19,526</u>	<u>19,680</u>	<u>154</u>			
	<u>85,646</u>	<u>23,401</u>	<u>23,581</u>	<u>180</u>			

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Core Banking Application	Computer software	Total
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----- Rupees in '000 -----

13. INTANGIBLE ASSETS

At January 1, 2019

Cost
 Accumulated amortisation and
 Net book value

2,913,952	414,907	3,328,859
(2,800,926)	(282,275)	(3,083,201)
113,026	132,632	245,658

Year ended December 2019

Opening net book value
 Additions:
 - through acquisitions / purchased
 Adjustments - addition
 Amortisation charge
 Adjustments - depreciation
 Closing net book value

113,026	132,632	245,658
-	406,947	406,947
-	178,877	178,877
(113,026)	(204,842)	(317,868)
-	(138,664)	(138,664)
-	374,950	374,950

At December 31, 2019

Cost
 Accumulated amortisation and
 Net book value

2,913,952	1,000,731	3,914,683
(2,913,952)	(625,781)	(3,539,733)
-	374,950	374,950

Rate of amortisation (percentage)

33.33 % on cost	33.33 % on cost
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Useful life

3 years	3 years
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At January 1, 2018

Cost
 Accumulated amortisation and
 Net book value

2,913,952	387,861	3,301,813
(2,614,324)	(145,565)	(2,759,889)
299,628	242,296	541,924

Year ended December 2018

Opening net book value
 Additions:
 - through acquisitions / purchased
 Amortisation charge
 Closing net book value

299,628	242,296	541,924
-	27,046	27,046
(186,602)	(136,710)	(323,312)
113,026	132,632	245,658

At December 31, 2018

Cost
 Accumulated amortisation and impairment
 Net book value

2,913,952	414,907	3,328,859
(2,800,926)	(282,275)	(3,083,201)
113,026	132,632	245,658

Rate of amortisation (percentage)

33.33 % on cost	33.33 % on cost
-----------------	-----------------

Useful life

3 years	3 years
---------	---------

There is no such intangible asset having indefinite useful life.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
14. RIGHT OF USE ASSETS		
The recognized right of use assets relate to the following types of assets:		
Balance as at initial application i.e. January 01, 2019	7,908,684	-
Additions during the period	1,185,554	-
Depreciation charged for the period	1,872,972	-
Balance as at December 31, 2019	7,221,266	-

The right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

	2019	2018
	----- Rupees in '000 -----	
15. OTHER ASSETS		
	Note	
Income / return / mark-up accrued in local currency - net of provision	53,660,237	31,149,949
Income / return / mark-up accrued in foreign currency - net of provision	2,551,275	2,478,075
Advances, deposits, advance rent and other prepayments	15.1 7,816,695	7,039,988
Advance taxation (payments less provisions)	9,155,744	11,743,706
Income tax refunds receivable	42,667,383	45,531,634
Compensation for delayed tax refunds	13,722,128	8,082,559
Non-banking assets acquired in satisfaction of claims	15.4 3,284,853	3,796,527
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	228,483
Unrealized gain on forward foreign exchange contracts	-	6,929,960
Commission receivable on Government. treasury transactions	4,065,704	4,627,921
Stationery and stamps on hand	435,733	381,722
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	15.2 323,172	323,172
Receivable from Government under VHS scheme	15.3 418,834	418,834
Receivable against sale of shares	310,374	311,383
Acceptances	26,934,779	45,884,978
Others	9,941,050	7,984,536
	175,691,785	177,108,826
Less: Provision held against other assets	15.5 10,853,587	8,884,661
Other assets (net of provision)	164,838,198	168,224,165
Surplus / (Deficit) on revaluation of non-banking assets acquired in satisfaction of claims	477,215	(201,867)
Other assets - total	165,315,413	168,022,298

15.1 This includes Rs. 5,808 million (2018: Rs. 4,644 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

15.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2019	2018
	----- Rupees in '000 -----	
15.4 Market value of Non-banking assets acquired in satisfaction of claims	3,762,068	3,594,660

An independent valuation of the Bank's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at 31 December 2019. The valuation was carried out by an independent valuer Imtech (private) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
15.4.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	3,594,660	3,831,300
Revaluation	477,215	(201,867)
Depreciation	(29,577)	(34,773)
Adjustment	38,043	-
Transfer to operating fixed Assets	(318,273)	-
Closing balance	3,762,068	3,594,660
15.5 Provision held against other assets		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	2,555,322	2,405,689
Compensation claimed by SBP due to delay in settlement of Government transactions	127,857	158,579
Provision against FE-25 loans	1,734,591	1,734,591
Ex-MBL / NDFC - other assets	534,173	534,173
Assets Acquired from CIRC	208,423	228,484
Others	3,668,718	1,798,642
	10,853,587	8,884,661
15.5.1 Movement in provision held against other assets		
Opening balance	8,884,661	8,772,698
Charge for the year	1,589,466	2,289,554
Transfer in	457,739	-
Adjustment of compensation claimed by SBP to SBP balances	(78,277)	(2,174,277)
Amount written off	-	(3,314)
Closing balance	10,853,587	8,884,661
16. BILLS PAYABLE		
In Pakistan	19,648,708	9,838,706
Outside Pakistan	218,716	105,472
	19,867,424	9,944,178
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	1,908,291	1,553,200
Under Export Refinance Scheme (New Scheme)	20,687,441	15,711,423
Financing Scheme for Renewable Energy	236,175	-
Refinance Facility for Modernization of SMEs	45,000	-
Financing Facility for storage of Agriculture Produce (FFSAP)	284,012	222,727
Under Long-Term Financing Facility (LTFF)	8,923,286	5,418,613
	32,084,205	22,905,963
Repurchase agreement borrowings	332,053,770	278,631,608
Bai Muajjal	59,069,167	45,954,085
Total secured	423,207,142	347,491,656
Unsecured		
Call borrowings	39,052,969	36,400,855
Overdrawn nostro accounts	3,467,767	3,807,347
Bai Muajjal	6,029,474	5,039,538
Total unsecured	48,550,210	45,247,740
	471,757,352	392,739,396

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

17.1 Particulars of borrowings with respect to currencies	2019	2018
	----- Rupees in '000 -----	
In local currency	432,843,644	356,338,554
In foreign currencies	38,913,708	36,400,842
	471,757,352	392,739,396

17.2 Mark-up / interest rates and other terms are as follows:

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2018: 3%).
- Repurchase agreement borrowings carry mark-up ranging from 13.2% to 13.32% per annum (2018: 8.4% to 10.16% per annum) having maturity ranging from January 2, 2020 to January 20, 2020.
- Call borrowings carry interest ranging from 1.75% to 4.0% per annum (2018: 0% to 4.22% per annum).

17.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 332,054 million (2018: Rs. 283,850 million).

18. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits - remunerative	320,884,110	-	320,884,110	323,623,737	-	323,623,737
Current deposits - non-remunerative	387,100,580	138,036,876	525,137,456	342,557,322	122,864,545	465,421,867
Savings deposits	533,399,568	52,363,840	585,763,408	498,375,321	37,724,865	536,100,186
Term deposits	285,062,513	75,428,176	360,490,689	273,475,804	66,124,944	339,600,748
Others	4,970,352	3,924	4,974,276	9,377,504	3,409	9,380,913
	1,531,417,123	265,832,816	1,797,249,939	1,447,409,688	226,717,763	1,674,127,451
Financial Institutions						
Current deposits	357,600,795	1,225,295	358,826,090	285,775,752	27,312,676	313,088,428
Savings deposits	4,405,416	2,911,091	7,316,507	812,330	778	813,108
Term deposits	21,888,152	5,932,636	27,820,788	7,335,635	1,814,815	9,150,450
Others	6,549,217	286,740	6,835,957	4,523,363	9,682,401	14,205,764
	390,443,580	10,355,762	400,799,342	298,447,080	38,810,670	337,257,750
	1,921,860,703	276,188,578	2,198,049,281	1,745,856,768	265,528,433	2,011,385,201

18.1 Composition of deposits	2019	2018
	----- Rupees in '000 -----	
Individuals	700,462,343	664,981,329
Government (Federal and Provincial)	602,779,800	586,365,968
Public Sector Entities	237,284,226	138,286,912
Banking companies	380,226,047	320,755,853
Non-Banking Financial Institutions	20,573,295	16,501,898
Private sector	256,723,570	284,493,241
	2,198,049,281	2,011,385,201

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

- 18.2** Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 85,488 million (2018: Rs. 104,127 million).
- 18.3** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 859,148 million (2018: Rs. 774,901 million) including islamic branches.

	2019	2018
	----- Rupees in '000 -----	
19. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS		
Lease liabilities included in the statement of financial position As at December 31, 2019	7,640,188	-
Of which are:		
Current lease liability	1,237,717	-
Non-current lease liability	6,402,471	-
	7,640,188	-
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,948,040	-
One to five years	6,610,167	-
More than five years	6,652,960	-
Total undiscounted lease liabilities as at December 31, 2019	15,211,167	-

20. DEFERRED TAX

At January 01, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2019
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----- Rupees in 000-----

Deductible temporary differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Other provisions

10,705	-		10,705
2,767,522	-	1,085,194	3,852,716
236,751	-	-	236,751
622,390	2,003,105	-	2,625,495
115,222	-	-	115,222
105,416	-	-	105,416
3,858,006	2,003,105	1,085,194	6,946,305

Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Other

(1,805,306)	146,188	(30,199)	(1,689,317)
(6,667,702)	-	(7,148,817)	(13,816,519)
(55,208)	-	13,769	(41,439)
(2,314,832)	-	-	(2,314,832)
(10,843,048)	146,188	(7,165,247)	(17,862,107)
(6,985,042)	2,149,293	(6,080,053)	(10,915,802)

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

At January 01, 2018	Recognised in profit or loss account	Recognised in Other comprehensive income	At December 31, 2018
------------------------	--	---	-------------------------

----- Rupees in '000 -----

Deductible Temporary Differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loan and advances
- Unrealised loss / (gain) on derivatives
- Provision against off-balance sheet obligations
- Other provisions

10,705	-	-	10,705
13,615,636	(10,764,230)	(83,884)	2,767,522
3,278,835	(3,042,084)	-	236,751
622,390	-	-	622,390
439,026	(439,026)	-	-
116,622	(1,400)	-	115,222
2,186,076	(2,080,660)	-	105,416
20,269,290	(16,327,400)	(83,884)	3,858,006

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Excess of accounting book value of leased assets over lease liabilities
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Other

(362,625)	85,085	(1,527,766)	(1,805,306)
5,078	(5,078)	-	-
(12,504,929)	-	5,837,227	(6,667,702)
(89,981)	-	34,773	(55,208)
-	(2,314,832)	-	(2,314,832)
(12,952,457)	(2,234,825)	4,344,234	(10,843,048)
7,316,833	(18,562,223)	4,260,350	(6,985,042)

21. OTHER LIABILITIES

	Note	2019 ----- Rupees in '000 -----	2018
Mark-up / Return / Interest payable in local currency		57,027,903	31,324,102
Mark-up / Return / Interest payable in foreign currency		439,959	555,608
Unearned commission and income on bills discounted		3,045,278	635,699
Accrued expenses		19,000,508	11,629,326
Advance payments		397,099	339,788
Unclaimed dividends	37.1	186,668	188,868
Unrealized loss on forward foreign exchange contracts		4,358,883	-
Unrealized loss on put option		306,339	306,339
Branch adjustment account		926,311	5,864,695
Employee benefits:			
Pension fund		14,785,647	13,069,665
Post retirement medical benefits		18,333,947	15,371,225
Benevolent fund		1,749,006	1,604,689
Gratuity scheme		2,206,599	1,730,265
Compensated absences		8,344,182	7,541,419
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		5,539,436	18,034,813
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	21.1	4,629,645	3,734,889
Payable to brokers		38,667	180,594
PIBs shortselling		256,284	366,896
Acceptances		26,934,779	45,884,978
Others		14,039,099	11,281,227
		183,544,990	170,643,836

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018
21.1 Provision against contingencies			
Opening balance		3,734,889	3,634,889
Charge during the year		1,152,495	-
Transfer out		(457,739)	-
Other movement		200,000	100,000
Closing balance	21.1.1	<u>4,629,645</u>	<u>3,734,889</u>

21.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

22. SHARE CAPITAL

22.1 Authorized capital

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

22.2 Issued, subscribed and paid up

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
<u>140,388,000</u>	140,388,000	Fully paid in cash	<u>1,403,880</u>	1,403,880
<u>1,987,125,026</u>	<u>1,987,125,026</u>	Issued as bonus shares	<u>19,871,251</u>	19,871,251
<u>2,127,513,026</u>	<u>2,127,513,026</u>		<u>21,275,131</u>	21,275,131

The Federal Government and the SBP held 75.60% (2018: 75.60%) shares of the Bank.

22.3 Shares of the Bank held by subsidiary and associate

Following shares were held by the associate of the Bank as of year end:

	2019	2018
	Number of shares	
First Credit & Investment Bank Limited	70,000	70,000
NBP Stock Fund	330,000	-
	<u>400,000</u>	<u>70,000</u>

23. RESERVES

23.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

23.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

23.3 Merger reserve

As per the Scheme of Amalgamation, all the assets, liabilities and obligations of NBP Leasing Limited were merged with, transferred to, vested in and assumed by the Bank as at the Effective Date July 31, 2017. The reserve represents the excess of net assets transferred to the Bank over its investment in NBP Leasing Limited.

23.4 General loan loss reserve

The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

24. SURPLUS ON REVALUATION OF ASSETS	Note	2019	2018
		Rupees in '000	
Surplus on revaluation of:			
- Available for sale securities	10.1	39,475,771	22,943,322
- Fixed assets	24.1	44,576,547	44,292,018
- Non-banking assets acquired in satisfaction of claims	24.2	2,539,695	2,062,480
		86,592,013	69,297,820
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(13,816,519)	(6,667,702)
- Fixed assets	24.1	(2,489,995)	(2,588,785)
- Non-banking assets acquired in satisfaction of claims	24.2	(41,439)	(55,208)
		(16,347,953)	(9,311,695)
		70,244,060	59,986,125
24.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		44,292,018	22,660,691
Recognised during the year		653,070	21,789,525
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(239,552)	(102,829)
Related deferred tax liability on incremental depreciation charged during the year		(128,989)	(55,369)
Surplus on revaluation of fixed assets as at December 31		44,576,547	44,292,018
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,588,785)	(1,116,388)
- revaluation recognised during the year		(30,199)	(1,527,766)
- incremental depreciation charged during the year		128,989	55,369
		(2,489,995)	(2,588,785)
		42,086,552	41,703,233

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018 -----
24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		2,062,480	2,264,347
Recognised during the year		477,215	(201,867)
Surplus on revaluation as at December 31		2,539,695	2,062,480
Less: related deferred tax liability on:			
- revaluation as at January 1		(55,208)	(89,981)
- revaluation recognised during the year		13,769	34,773
		(41,439)	(55,208)
		2,498,256	2,007,272
25. CONTINGENCIES AND COMMITMENTS			
Guarantees	25.1	161,579,745	94,340,275
Commitments	25.2	1,761,652,119	1,286,438,703
Other contingent liabilities	25.3	30,664,297	29,259,673
		1,953,896,161	1,410,038,651
25.1 Guarantees			
Financial guarantees		101,841,274	55,505,600
Performance guarantees		59,738,471	38,834,675
		161,579,745	94,340,275
25.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		937,616,635	716,304,478
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	801,290,548	512,873,075
- forward government securities transactions	25.2.2	22,164,581	56,816,129
Commitments for acquisition of:			
- operating fixed assets		566,855	431,521
Other commitments	25.2.3	13,500	13,500
		1,761,652,119	1,286,438,703
25.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		478,842,756	312,710,160
Sale		322,447,792	200,162,915
		801,290,548	512,873,075

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
Note	----- Rupees in '000 -----	
25.2.2 Commitments in respect of forward government securities transactions		
Purchase	256,814	50,950,025
Sale	21,907,767	5,866,104
	22,164,581	56,816,129

Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated financial statements at contracted rates.

	2019	2018
	----- Rupees in '000 -----	
25.2.3 Professional services to be received	13,500	13,500
25.3 Other contingent liabilities		
25.3.1 Claim against the Bank not acknowledged as debt	30,664,297	29,259,673

Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2018: Rs. 1,597 million).

25.3.2 Taxation

The tax returns of the Bank have been filed up to tax year 2018 and amended by the tax authorities up to Tax Year 2018. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2019.

- Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of Tax Year 2013 during the year the issue was decided by learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage. The bank has filed an appeal before ATIR, which is pending adjudication.
- The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2019 amounts to Rs. 17.9 billion (December 31, 2018: Rs. 10.7 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.
- The Bank has filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December-2016 wherein the principal demand of Rs 386 million has been raised.
- The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers Welfare Fund Ordinance, 1971, the Bank in which Government holds more than 51% shareholding remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as the Bank employees do not fall in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file suit before Honourable High Court of Sindh. Accordingly, no provision has been made for Sindh WWF in these unconsolidated financial statements based on the advice of the Tax consultant.
- The Bank has filed an Appeal before the Commissioner (Appeals) Sindh Revenue Board on the order passed by Assistant Commissioner SRB for levy of Sindh Sales Tax on the services provided to the Federal Government through the State Bank of Pakistan for the tax period July 2011 till March 2015 amounting to Rs. 358.28 million based on data provided by SBP. No provision has been made for this amount in these unconsolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.

25.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 25.3.3.1 and Restoration of commuted pension note 25.3.3.3, the financial impact of other matters is impracticable to determine with sufficient reliability.

25.3.3.1 Pensionary benefits to retired employees

In 1977 the Federal Govt. vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated @ 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the Petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court, Lahore, vide its judgment dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the Petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgment dated January 16, 2017. The Bank assailed the said judgment by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both Parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (c) of 1977. Under this Circular, the pension of employees was to be calculated @ 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed Review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the Review petition, which was reportedly accepted by the then Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Petitions were last fixed on January 09, 2020, however as the Video link was not working, no proceedings took place and the honorable Supreme court directed for relisting of the matters.

In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 67.1 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for 2020 onward will also increase by Rs. 7.0 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

25.3.3.2 Post retirement medical facilities

In September, 2011 Ch. Muhammad Qasim and 5 others, who had opted for separation from service under GHS/ VHS filed a writ petition for an increase in the medical ceiling under the Bank issued Circular no.19/95. The Bank contested the writ petition on the grounds that the petitioners had opted for separation from the service of the Bank under GHS and VHS after receiving payment of compensation as contemplated under the said Schemes. With regard to medical ceiling for such persons who had opted voluntarily, an option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme; therefore, they were not entitled for any benefit under the said circular. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the petitioners, after having signed a disclaimer at the time of receipt of benefits under GHS, were not entitled to any further payment. The High Court while disregarding these arguments allowed the writ petition. The Bank has filed an Intra Court Appeal against the order of the single bench which is still pending adjudication with a date in office. The Bank's management is confident that the case will be decided in the favor of the Bank. Accordingly, no provision has been made in these financial statements.

25.3.3.3 Restoration of commuted pension

The portion of pension of an employee commuted at the time of retirement is restored after the lapse of the period for which the commutation was made. The restoration is made without applying any increase granted in pension during that period. Some of the retired employees filed writ petitions before Lahore High Court seeking restoration of the commuted portion of their pension with all the increments granted during the period for which the pension was commuted.

The single bench of the High Court decided the matter against the Bank vide order dated April 14, 2017 which was assailed by the Bank through an Intra Court Appeal. The said appeal is ongoing.

In the meantime two Writ Petitions filed before the Lahore High Court, Lahore on the same subject matter, were dismissed vide order dated November 25, 2019. The Petitioners have assailed the said order through Intra court appeals which are also ongoing. Management is confident that case will be decided in favor of the Bank and therefore no provision has been made in these financial statements.

Notes to the Unconsolidated Financial Statements

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25.3.3.4 Regularizing the temporary hires / workers deployed by service provider companies under outsourcing arrangements

The Bank outsourced certain noncore jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and NIRC seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

25.3.3.5 Golden Handshake (GHS)

The Bank had introduced the Golden Shake Hand Schemes in 1997 with a cut-off date. However, some of the employees who had opted for separation under the said scheme were not relieved on the said date and continued to perform duties. Subsequently some of those employees filed Petitions before various high courts regarding payment of certain pensionary benefits. Most of the cases have been disposed of on the basis of Apex Court judgment in Naseem Arif Abbasi case (2011 SCMR 446). There are still some pending Petitions; however, keeping in view the said Judgment prima facie the Bank has a good case.

25.3.3.6 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21, 2016 passed by the Supreme court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010.

Mr. Ashfaq Ali and 3 others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. The Civil Appeal was dismissed vide order September 21, 2016 in terms of which the Order of the Sindh High Court was upheld to pay arrears. Review Petition filed by the Bank was also dismissed vide order dated April 14, 2017.

Moreover, a number of Bank Employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed of with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honorable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated September 21, 2016. Subsequently, the Karachi Bench of Sindh High Court modified their earlier judgment and restricted the same to the extent of Petitioners only. The Bank formed a Committee and cases of the Petitioners/employees, claiming to be similarly placed with the MTOs, were reviewed by the Bank on the touch stone of intelligible differentia.

One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018, in the light of the aforesaid judgment of the Supreme Court. The Bank assailed the said order before the Apex court however the same was dismissed vide order dated October 2, 2019 which has now attained finality.

The Bank is exploring various options to bring closure to this ongoing issue, including settlement options. In light of the above, the management has reflected any potential impact it may have in an appropriate manner in these unconsolidated financial statements.

25.4 Foreign exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/S Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to the Bank by way of interim orders.

As advised by our counsel, NBP has also filed a Constitutional Petition challenging the constitution of the Appellate Board by the Commission and has obtained restraining order on the ground that the Appellate Board constituted by the Commission lacks legal merit in the light of Supreme Court ruling. Our counsel, Mr. Raashid Anwar, Advocate has concluded his arguments in respect of the Foreign Exchange Regulation Appellate Board constitution. However, another petition filed by another company whereby challenging the constitutionality of the Competition Act was also tagged with the Petitions filed by the banks.

Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

25.5 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact or penal consequences.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018
26 MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		109,645,808	69,358,862
Investments		122,337,007	76,287,863
On securities purchased under resale agreements		5,366,881	3,593,293
Balances with other banks		2,127,620	728,694
		239,477,316	149,968,712
27. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		110,075,180	61,704,147
Borrowings		6,981,845	2,942,429
Cost of foreign currency swaps against foreign currency deposits / borrowings		9,157,133	6,075,207
Finance charge on lease liability against right of use assets		719,136	-
Securities sold under repurchase agreements		40,636,745	18,580,699
		167,570,039	89,302,482
28. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,450,895	1,251,884
Consumer finance related fees		810,367	802,721
Card related fees		657,077	437,670
Credit related fees		237,625	284,106
Investment banking fees		616,320	644,931
Commission on trade		3,359,376	3,122,027
Commission on guarantees		440,867	428,051
Commission on cash management		22,656	16,431
Commission on remittances including home remittances		912,379	822,212
Commission on bancassurance		392,746	343,621
Commission on government transactions		9,958,006	9,223,016
Others		266,232	149,729
		19,124,546	17,526,399
29. GAIN / (LOSS) ON SECURITIES - NET			
Realised	29.1	2,122,608	3,933,377
Unrealised - held for trading	10.1	(10,996)	(1,033)
		2,111,612	3,932,344
29.1 Realised gain on			
Federal Government Securities		557,418	513,577
Shares		1,536,727	3,332,560
Ijarah Sukuks		28,463	87,240
		2,122,608	3,933,377
30. OTHER INCOME			
Rent on property		49,969	64,664
Gain on sale of fixed assets - net		29,569	132,829
Postal, SWIFT and other charges recovered		44,202	-
Compensation for delayed tax refunds	30.1	5,639,569	2,456,174
Others		4,491	33,570
		5,767,800	2,687,237

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

30.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	Note	2019 ----- Rupees in '000 -----	2018 -----
31. OPERATING EXPENSES			
Total compensation expenses	31.1	45,284,522	37,270,272
Property expenses			
Rent and taxes		911,933	2,490,042
Insurance		34,124	32,374
Utilities cost		1,192,225	1,022,510
Security (including guards)		2,530,919	2,317,315
Repair and maintenance (including janitorial charges)		1,055,179	1,000,267
Depreciation		460,382	204,273
Depreciation on non banking assets		29,577	34,770
Depreciation on Ijarah assets		161,131	258,703
Depreciation on ROUA		1,872,972	-
		8,248,442	7,360,254
Information technology expenses			
Software maintenance		1,066,582	616,394
Hardware maintenance		14,370	19,371
Depreciation		283,627	421,146
Amortisation		317,868	323,312
Network charges		522,070	509,007
Others		1,049	69,722
		2,205,566	1,958,952
Other operating expenses			
Directors' fees and allowances		38,613	25,895
Fees and allowances to Shariah Board		9,163	7,508
Legal and professional charges		709,368	494,384
Outsourced services costs	31.3	794,629	783,669
Travelling and conveyance		1,050,731	972,984
NIFT clearing charges		153,825	152,937
Depreciation		1,563,863	1,424,984
Training and development		112,538	134,811
Postage and courier charges		199,800	323,479
Communication		303,023	293,844
Stationery and printing		1,009,799	942,363
Marketing, advertisement and publicity		299,864	706,122
Contributions for other corporate and social responsibility	31.4	26,868	77,728
Auditors' remuneration	31.5	345,264	252,477
Fixed assets / Non-banking asset deficit		-	202,847
Financial charges on leased assets		25,947	15,034
Entertainment		276,128	189,687
Clearing charges, verification and licence fee		436,517	284,227
Brokerage		110,284	87,428
Insurance general	31.2	415,779	305,628
Vehicle expenses		145,957	152,181
Deposit premium expense		1,244,433	479,027
Repairs and maintenance general		387,878	466,654
Others		306,228	321,983
		9,966,499	9,097,881
		65,705,029	55,687,359

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
31.1 Total compensation expense		
Fees and Allowances etc	-	-
Managerial Remuneration		
i) Fixed	17,727,960	12,737,987
ii) Variable	-	-
of which;		
a) Cash Bonus / Awards etc.	4,187,847	3,279,473
b) Bonus & Awards in Shares etc.	-	-
Charge for defined benefit plan	7,495,742	6,026,025
Contribution to defined contribution plan	-	-
Rent & house maintenance	4,471,577	4,084,501
Utilities	1,661,707	1,508,358
Medical	3,101,904	2,786,746
Conveyance	3,289,910	3,344,021
Club Membership & Subscription	42,519	46,663
Education Allowance	1,570,297	1,064,981
Insurance	292,665	261,750
Honorarium to Staff and Staff Welfare	262,111	209,485
Overtime	53,628	42,095
Special Duty Allowance	1,143	442
Washing Allowance	16,707	16,721
Key Allowance	78,886	48,795
Unattractive Area Allowance	48,282	45,662
Leave Encashment	80,128	12,827
Teaching Allowance	7,962	2,303
Incentive on CASA deposits mobilization	26,063	-
Entertainment	126,561	108,927
Liveries	490	8,071
Hill, Late Sitting & Saturday allowance etc.	740,433	1,634,439
Sub-total	45,284,522	37,270,272
Sign-on-bonus	-	-
Severance Allowance	-	-
Grand Total	45,284,522	37,270,272

31.2 This includes Rs. 3.201 million (2018: Rs. 2.759 million) insurance premium against directors' liability insurance.

31.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 795 million (2018: Rs. 784 million). Out of this cost, Rs. 787 million (2018: Rs. 773 million) pertains to the payment to companies incorporated in Pakistan and Rs. 8 million (2018: Rs. 11 million) pertains to payment to companies incorporated outside Pakistan. Total cost of outsourced activities for the year given to related parties is Rs. Nil (Prior Year: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2019	2018
		----- Rupees in '000 -----	
ICON Consultant (Private) Limited	IT support services, sales services, collection, reconciliation and engineering services etc.	265,011	244,326
Virtual World (Private) Limited	Call center management	60,994	71,317
		326,005	315,643

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

31.4 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description	2019	2018
	----- Rupees in '000 -----	
Supreme Court for Dam Construction	-	19,493
Agribusiness School at Namal Knowledge City	-	10,000
Abdul Wali Khan University Mardan	-	2,665
Akhuwat University at Lahore	-	2,500
Jijal Maau Hospital Hyderabad	-	2,500
IBA Sukkur	-	2,100
National Epilepsy Center Karachi	-	1,800
Namal College-Mianwali	5,198	3,000
DHQ Hospital Gawadar	3,750	-
Teach for Pakistan, Islamabad	-	1,500
New motorcycle rickshaws in Mohmand Agency	-	850
Motorcycle Rickshaws to Rehabilitate Special Person	-	800
Sindh Madressatul Islam University Karachi	-	1,440
Mr. Basheer Ahmed	-	565
Syed Abad Botanical Garden University of Chitral	525	-
Earthquake Effectees of Mirpur AJ&K	7,500	-
Aman Foundation	2,000	-
Marie Adelaide Leprosy Centre Karachi	-	990
Professional Education Foundation, Karachi	-	1,200
Wise Education Society-Lahore	-	1,200
Lyari Town, Karachi	-	810
Total	18,973	53,413

31.4.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

Deloitte Yousuf Adil	Grant Thornton Anjum Rahman	Total 2019	Total 2018
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----- Rupees in '000 -----

31.5 Auditors' remuneration

Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Fee for other statutory certifications	-	3,500	3,500	3,000
Special certifications and sundry advisory services	7,136	1,336	8,472	8,472
Tax services	-	20,000	20,000	20,000
Sales Tax	1,648	3,064	4,712	4,672
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	26,748	45,864	72,612	72,072
Fee for audit of overseas branches including advisory services and out-of-pocket expenses			272,652	180,405
	26,748	45,864	345,264	252,477

32. OTHER CHARGES

	Note	2019	2018
		----- Rupees in '000 -----	
Penalties imposed by State Bank of Pakistan		141,015	237,480
Penalties imposed by other regulatory bodies (Central bank of international branches)		7,076	6,573
		148,091	244,053

33. PROVISIONS AND WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	3,041,682	228,797
Provisions against loans and advances	11.4	8,424,453	8,782,022
Provision against other assets and other liabilities		2,784,140	2,289,554
		14,250,275	11,300,373

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
34. TAXATION			
Current	34.1	13,286,008	11,861,164
Prior years		1,056,841	(20,755,128)
Deferred		(2,149,293)	18,562,223
		12,193,556	9,668,259
34.1			
Current taxation includes Rs. 319 million (2018: Rs. 519 million) of overseas branches.			
34.2 Relationship between tax expense and accounting profit			
Accounting profit before tax		28,003,367	29,683,381
Income tax at statutory rate @ 35% (2018: 35%)		9,801,178	10,389,183
Super tax at statutory rate @ 4% (2018: 4%)		1,120,135	1,187,335
Inadmissible items		57,755	95,181
Prior year tax effects	34.2.1	1,056,841	(2,112,896)
Others		157,647	109,456
Tax charge for current and prior years		12,193,556	9,668,259
34.3			
The Federal Government vide The Finance Supplementary (Second Amendment) Bill, 2019 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2017 (Tax Year 2018). Accordingly, provisions of Rs.1,057 million (2018: Rs. (2,113) million) for Super tax has been made in prior year.			
35. BASIC EARNINGS PER SHARE			
Profit for the year (Rupees in 000's)		15,809,811	20,015,122
Weighted average number of ordinary shares (Number in 000's)		2,127,513	2,127,513
Basic earnings per share (Rupees)		7.43	9.41
36. DILUTED EARNINGS PER SHARE			
Profit for the year (Rupees in 000's)		15,809,811	20,015,122
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)		2,127,513	2,127,513
Diluted earnings per share (Rupees)		7.43	9.41
37. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	292,513,379	247,518,270
Balances with other banks	8	13,220,807	12,202,020
Call / clean money lendings	9	540,800	8,240,800
Call borrowings	17	(39,052,969)	(36,400,855)
Overdrawn nostro accounts	17	(3,467,767)	(3,807,347)
		263,754,250	227,752,888

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

37.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

		2019	
		Lease Obligation	Unclaimed Dividend
		-----Rupees in 000'-----	
	Note		
Balance as at January 1, 2019	37.1.1	7,656,551	188,868
Changes from financing cashflows			
Payment of lease obligation / dividend		(2,044,189)	(2,200)
Total charges from financing activities		(2,044,189)	(2,200)
Other charges			
Renewed lease during the period		1,183,911	-
Interest unwinding		719,136	-
Foreign exchange gain		124,779	-
Total other charges		2,027,826	-
Balance as at December 31, 2019		7,640,188	186,668
		2018	
		Lease Obligation	Unclaimed Dividend
		-----Rupees in 000'-----	
Balance as at January 1, 2018		14,509	163,549
Changes from financing cashflows			
Payment of lease obligation / dividend		(14,509)	(25,319)
Total charges from financing activities		(14,509)	(25,319)
Other charges			
Increase in unclaimed dividend		-	50,638
Total other charges		-	50,638
Balance as at December 31, 2018		-	188,868

37.1.1 During the year, the Bank has adopted IFRS 16 accordingly recognised lease obligation on January 1, 2019, amounting to Rs. 7,657 Million.

		2019	2018
		----- Numbers -----	
38. STAFF STRENGTH			
Permanent		11,096	11,748
On Bank contract		4,092	3,990
Bank's own staff strength at the end of the year		15,188	15,738

38.1 In addition to the above, 2,102 (2018: 2,185) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 2,096 employees are working domestically (2018: 2,185) and abroad 6 (2018: Nil) respectively

39. DEFINED BENEFIT PLAN

39.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.12 to the unconsolidated financial statements.

39.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

		2019	2018
		----- Numbers -----	
Pension fund		11,430	11,547
Gratuity fund		3,776	3,859
Benevolent Fund		11,430	11,547

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
Per annum	11.25%	11.25%
	13.25%	13.25%
	11.25%	13.25%
	6.75%	8.75%
	11.25%	13.25%

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

- Discount rate
- Expected rate of return on plan assets
- Expected rate of salary increase
- Expected rate of increase in pension
- Expected rate of increase in medical benefit

39.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2019					2018						
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated Absences	Total	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated Absences	Total
Present value of obligations	66,478,466	18,339,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,889	1,730,265	7,541,419	87,332,523
Fair value of plan assets	(51,687,819)	-	-	-	-	(51,687,819)	(48,015,260)	-	-	-	-	(48,015,260)
Payable	14,785,647	18,339,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,889	1,730,265	7,541,419	39,317,263
Rupees in '000												
39.5 Movement in defined benefit obligations												
Obligations at the beginning of the year	61,084,925	15,371,225	1,604,889	1,730,265	7,541,419	87,332,523	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,483
Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,288,574	401,474	66,305	251,131	1,187,529	3,205,013
Interest cost	7,889,225	1,975,232	196,021	228,381	973,033	11,229,892	5,360,800	1,321,656	178,311	137,009	(246,800)	6,997,576
Benefits paid by the Bank	(3,389,088)	(927,632)	(250,583)	(43,460)	(935,546)	(5,006,299)	(3,048,981)	(860,398)	(200,539)	(60,210)	(246,800)	(4,406,928)
Re-measurement loss / (gain) - Profit and loss	(514,332)	1,391,114	147,644	40,772	43,515	43,515	-	-	-	-	-	-
Re-measurement loss / (gain) - OCI	-	-	-	-	-	-	(477,132)	166,124	(416,618)	(74,975)	-	(602,601)
Obligations at the end of the year	66,478,466	18,339,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,889	1,730,265	7,541,419	87,332,523
Rupees in '000												
39.6 Movement in fair value of plan assets												
Fair value at the beginning of the year	48,015,260	-	-	-	-	48,015,260	44,966,044	-	-	-	-	44,966,044
Interest income on plan assets	6,220,036	-	-	-	-	6,220,036	4,176,565	-	-	-	-	4,176,565
Contribution by the Bank - net	1,245,917	-	-	479,022	-	1,724,939	1,044,583	-	-	-	-	1,044,583
Benefits paid	(3,389,088)	-	-	-	-	(3,389,088)	(3,048,981)	-	-	-	-	(3,048,981)
Benefits paid on behalf of fund	1,631,059	-	-	-	-	1,631,059	1,439,981	-	-	-	-	1,439,981
Actuarial gain or (loss) on assets	(2,035,355)	-	-	-	-	(2,035,355)	(562,932)	-	-	-	-	(562,932)
Fair value at the end of the year	51,687,819	-	-	-	-	51,687,819	45,015,260	-	-	-	-	45,015,260
Rupees in '000												
39.7 Movement in (receivable) / payable under defined benefits scheme												
Opening balance	13,069,665	15,371,225	1,604,889	1,730,265	7,541,419	39,317,263	12,985,820	14,342,369	1,977,230	1,467,310	6,600,690	37,375,419
Charge / (reversal) for the year	3,071,935	2,499,240	247,236	479,022	1,198,309	7,485,742	2,482,609	(860,398)	(200,539)	388,140	1,187,529	6,026,025
Contribution by the bank - net	(1,245,917)	-	-	-	-	(1,245,917)	(1,044,583)	-	-	-	-	(2,402,590)
Re-measurement loss / (gain) recognized in OCI during the year	1,521,023	1,391,114	147,644	40,772	43,515	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(238,669)
Benefits paid by the bank	(1,631,059)	(927,632)	(250,583)	(43,460)	(935,546)	(5,019,856)	(1,439,981)	-	-	-	-	(1,439,981)
	14,785,647	18,339,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,889	1,730,265	7,541,419	39,317,263
39.8 Charge for defined benefit plans												
39.7.1 Cost recognised in profit and loss												
Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,288,574	401,474	66,305	251,131	1,187,529	3,205,013
Actuarial loss recognized - Profit and Loss	-	-	-	-	43,515	43,515	-	-	-	-	-	-
Net interest on defined benefit asset / liability	1,649,169	1,975,232	196,021	228,381	973,033	5,019,856	1,184,035	1,321,656	178,311	137,009	-	2,821,011
	3,071,935	2,499,240	247,236	479,022	1,198,309	7,485,742	2,482,609	(860,398)	(200,539)	388,140	1,187,529	6,026,025
39.7.2 Re-measurements recognised in OCI during the year												
Loss / (gain) on obligation	-	-	-	-	-	-	-	-	-	-	-	-
- Demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- Financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- Experience adjustment	1,521,023	1,391,114	147,644	40,772	43,515	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(238,669)
Return on plan assets over interest income	-	-	-	-	-	-	-	-	-	-	-	-
Total re-measurements recognised in OCI	1,521,023	1,391,114	147,644	40,772	43,515	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(238,669)

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
39.8 Components of plan assets		
Pakistan Investment Bonds	22,127,729	268,527
Term Finance Certificates	104,000	104,000
Mutual Funds / Shares	5,870,329	5,421,318
Shares	6,288,248	6,371,337
Term Deposits Receipts	-	11,182,753
Defence saving certificates	7,538,348	6,491,911
Special saving certificates	8,523,972	17,716,001
Cash at bank	1,235,194	459,413
	51,687,819	48,015,260

39.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as below:

	2019					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total
	----- Rupees in '000' -----					
1% increase in discount rate	59,731,023	16,029,501	1,634,760	1,952,652	7,696,503	87,044,439
1% decrease in discount rate	74,656,525	21,207,687	1,878,615	2,509,748	9,087,126	109,339,701
1 % increase in expected rate of salary increase	69,982,864	19,187,427	1,771,915	2,517,736	9,119,946	102,579,888
1 % decrease in expected rate of salary increase	63,324,141	17,569,572	1,726,026	1,942,064	7,657,182	92,218,985
1% increase in expected rate of pension increase	70,709,400	19,733,042	-	-	-	90,442,442
1% decrease in expected rate of pension increase	62,838,244	17,127,894	-	-	-	79,966,138
1% increase in expected rate of medical benefit increase	-	18,876,280	-	-	-	18,876,280
1% decrease in expected rate of medical benefit increase	-	17,878,339	-	-	-	17,878,339

39.10 Expected contributions to be paid to the funds in the next financial year **1,377,606**

39.11 Expected charge for the next financial year **7,412,823**

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.23
Post retirement medical fund	14.12
Benevolent fund	6.97
Gratuity fund	12.62
Compensated absences	8.33

39.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below.

	Amount	Percentage
	Rupees in '000	
Current Assets		
Cash and cash equivalents - net	1,235,194	2.4%
Government Securities	38,190,048	73.9%
Shares	6,288,248	12.2%
Non-Government Debt Securities	104,000	0.2%
Mutual Funds	5,870,329	11.4%
	51,687,819	100%

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

Notes to the Unconsolidated Financial Statements

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39.14 Significant risks associated with the staff retirement benefit schemes are as follows:

Asset volatility	The risk arises when the future earnings are lower than expected. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expected.
Inflation risk	The most common type of retirement benefit is one where the benefit is linked with the last drawn salary. The risk arises when the actual increases are higher than expected and impacts the liability accordingly.
Life expectancy / Withdrawal rate	The risk arises when the actual lifetime of retirees is longer than expected. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
Investment Risk	The risk arises when the actual performance of the investments is lower than expected and thus creating a shortfall in the funding objectives.

40. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Bank currently does not have any defined contribution plan.

Notes to the Unconsolidated Financial Statements

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41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

Items	2019				
	Directors		Members Shariah Board	President / CEO*	Key Management Personnel
	Chairman	Non-Executives			
	Rs. in '000				
Fees and Allowances etc.	2,550	28,650	-	-	-
Managerial Remuneration					
i) Fixed	-	-	7,359	49,557	146,697
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	402	-	-
b) Bonus & Awards in Shares	-	-	-	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	681	790	80,897
Utilities	-	-	211	310	24,939
Medical	-	-	155	396	23,531
Conveyance	-	-	330	-	16,825
Others	1,654	5,759	25	2,784	14,858
Total	4,204	34,409	9,163	58,337	400,921
Number of Persons	1	10	3	2	861

*In initial months of the year 2019 Mr. Arif Usmani was CEO as well Chairman of the bank, However, his remuneration was reported in President / CEO column.

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

Performance bonus is accounted for on payment basis.

Items	2018				
	Directors		Members Shariah Board	President / CEO *	Key Management Personnel
	Chairman	Non-Executives			
	Rs. in '000				
Fees and Allowances etc.	-	20,250	-	-	-
Managerial Remuneration					
i) Fixed	-	-	5,630	44,479	86,006
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	667	-	-
b) Bonus & Awards in Shares	-	-	-	10,176	67,647
Charge for defined benefit plan	-	-	-	9,358	32,530
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	557	1,495	70,272
Utilities	-	-	172	584	21,606
Medical	-	-	127	63	22,473
Conveyance	-	-	330	-	14,754
Others	-	5,645	25	2,246	10,399
Total	-	25,895	7,508	68,401	325,687
Number of Persons	-	6	3	2	718

* In 2018, Mr. Saeed Ahmed was CEO as well as Chairman. However, his remuneration has been reported in President / CEO column.

Notes to the Unconsolidated Financial Statements

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41.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019							
		Meeting Fees and Allowances Paid							
S. No.	Name of Director	For Board Meetings	For Board Committees					Board International Franchises & Remittance Committee	Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee		
-----Rs. in '000-----									
1	Mr. Zubyr Soomro	2,276	-	578	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail Rajput	2,237	1,104	-	-	-	-	-	3,341
4	Ms. Sadaffe Abid	1,877	-	-	-	1,050	-	-	2,927
5	Mr. Tawfiq Asghar Hussain	1,050	1,050	600	-	-	-	300	3,000
6	Mr. Zafar Masud	1,200	-	-	1,350	1,200	-	300	4,050
7	Mr. Farid Malik	3,066	-	826	721	2,237	-	-	6,850
8	Mr. Imam Bukhsh Baloch	1,950	-	450	-	-	-	-	2,400
9	Mr. A. Akbar Sharifzada	1,050	498	-	583	-	-	-	2,131
10	Mr. Asad Munir	1,144	-	-	426	-	-	-	1,570
11	Mr. Muhammad Imran Malik	750	300	150	150	-	-	-	1,350
Total Amount Paid		19,145	4,674	3,370	6,014	4,810	-	600	38,613

		2018					
		Meeting Fees and Allowances Paid					
S. No.	Name of Director	For Board Meetings	For Board Committees			Board IT Committee	Total Amount Paid
			Board Audit & Compliance Committee	Board Risk Committee	Board HR & Remuneration Committee		
-----Rs. in '000-----							
1	Mr. A. Akbar Sharifzada	2,242	1,387	-	-	1,629	5,258
2	Mr. Asad Munir	2,690	-	-	-	1,459	4,149
3	Mr. Farid Malik	3,336	-	490	-	-	4,482
4	Mr. Mir Balakh Sher Marri	1,155	416	55	631	-	2,258
5	Mr. Muhammad Imran Malik	2,149	1,200	450	-	-	3,799
6	Mr. Muhammad Naeem	2,263	1,502	215	1,377	591	5,948
Total Amount Paid		13,836	4,505	1,210	5,096	1,247	25,895

41.3 Remuneration paid to Shariah Board Members

Items	2019				2018			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
-----Rs. in '000-----								
1. Meeting Fees and Allowances	-	-	-	-	-	-	-	-
2. Retainer Fee & Fixed Remuneration	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Amount paid	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Number of Persons	1	1	1	3	1	1	1	3

42. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed-term loans, other assets, other liabilities, fixed-term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

42.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Notes to the Unconsolidated Financial Statements

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The table below analysis financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Carrying Value	2019			Total
	Level 1	Level 2	Level 3	
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Market Treasury Bills	621,791,597	-	621,791,597	-
Pakistan Investment Bonds	329,418,686	-	329,418,686	-
Ijarah Sukuks	1,978,800	-	1,978,800	-
Ordinary shares of listed companies	41,863,797	41,863,797	-	-
Preference shares	79,388	35,956	-	43,432
Investments in mutual funds	1,903,224	1,903,224	-	-
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-
Foreign Government Securities	3,491,851	-	3,491,851	-
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-
1,099,510,559	71,838,926	1,027,628,201	43,432	1,099,510,559

Financial assets - disclosed but not measured at fair value

Cash and balances with treasury banks	292,513,379	-	-	-	-
Balances with other banks	13,220,807	-	-	-	-
Lending to financial institution	144,140,344	-	-	-	-
Investments					
Pakistan Investment Bonds	184,864,103	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Market Treasury Bills	114,091,320	-	-	-	-
Foreign Government Securities	29,600,343	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
Advances	1,008,139,084	-	-	-	-
Other assets	165,315,413	-	-	-	-
1,957,576,162	-	-	-	-	-
3,057,086,721	71,838,926	1,027,628,201	43,432	1,099,510,559	

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

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Carrying Value	2018			Total	
	Level 1	Level 2	Level 3		
----- Rupees in '000 -----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	741,979,834	-	741,979,834	-	741,979,834
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
Ijarah Sukuks	9,683,884	-	9,683,884	-	9,683,884
Ordinary shares of listed companies	39,059,980	39,059,980	-	-	39,059,980
Preference shares	125,936	39,072	-	86,864	125,936
Investments in mutual funds	2,027,408	2,027,408	-	-	2,027,408
Term Finance Certificates / Musharika and Sukuk Bonds	56,266,040	-	56,266,040	-	56,266,040
GoP Foreign Currency Bonds	24,946,934	-	24,946,934	-	24,946,934
Foreign Government Securities	820,450	-	820,450	-	820,450
Foreign Currency Debt Securities	1,457,561	-	1,457,561	-	1,457,561
Ordinary shares of a bank outside Pakistan	16,034,284	16,034,284	-	-	16,034,284
	1,089,999,206	57,160,744	1,032,751,598	86,864	1,089,999,206

Financial assets - disclosed but not measured at fair value

Cash and balances with treasury banks	247,518,270	-	-	-	-
Balances with other banks	12,202,020	-	-	-	-
Lending to financial instruments	106,391,667	-	-	-	-
Investments					
Pakistan Investment Bonds	157,346,442	-	-	-	-
GoP Foreign Currency Bonds	2,859,233	-	-	-	-
Ordinary shares of unlisted companies	1,594,289	-	-	-	-
Foreign Government Securities	25,866,066	-	-	-	-
Foreign Currency Debt Securities	532	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	284,572	-	-	-	-
Advances	926,007,004	-	-	-	-
Other assets	168,022,298	-	-	-	-
	1,648,092,393	-	-	-	-
	2,738,091,599	57,160,744	1,032,751,598	86,864	1,089,999,206

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	512,873,075	-	512,873,075	-	512,873,075
Forward government securities transactions	56,816,129	-	56,816,129	-	56,816,129

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

42.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

Carrying Value	2019			Total	
	Level 1	Level 2	Level 3		
----- Rupees in '000 -----					
Land & building (property and equipment)	48,569,603	-	48,569,603	-	48,569,603
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,854,456	-	51,854,456	-	51,854,456
----- Rupees in '000 -----					
Carrying Value	2018			Total	
	Level 1	Level 2	Level 3		
----- Rupees in '000 -----					
Land & building (property and equipment)	47,995,831	-	47,995,831	-	47,995,831
Non-banking assets acquired in satisfaction of claims	3,796,527	-	3,796,527	-	3,796,527
	51,792,358	-	51,792,358	-	51,792,358

43. SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

During the year the Bank changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Last year the operating segments were commercial & retail banking, corporate banking, treasury, international banking, aitemaad & islamic banking, & head office/others.

Notes to the Unconsolidated Financial Statements

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2019							
	Branch Banking	Corporate & Investment Banking	Treasury	International Financial Institution & Remittance	Aftemaad & Islamic Banking	Head Office / Others	Total
Rupees in '000							
Profit and loss account							
Net mark-up / return / profit	(67,521,771)	54,921,742	76,654,512	3,143,738	4,396,685	312,371	71,907,277
Inter segment revenue - net	132,894,813	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967	-
Non mark-up / return / interest income	15,710,640	2,858,776	9,668,264	1,831,482	543,892	5,586,431	36,199,485
Total income	81,083,682	3,335,351	2,597,884	4,975,220	4,564,855	11,549,770	108,106,762
Segment direct expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	441,720	39,127,802
Inter segment expense allocation	-	-	-	-	-	26,725,318	26,725,318
Total expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	27,167,039	65,853,120
Provisions charge / (Reversal)	2,804,748	8,030,100	1,899,416	(104,320)	(75,061)	1,695,392	14,250,275
Profit / (loss) before tax	47,582,190	(5,495,812)	388,260	802,901	2,038,488	(17,312,660)	28,003,367
Statement of financial position							
Cash and bank balances	175,619,656	238,501	82,716,513	42,748,449	4,410,976	91	305,734,186
Investments	-	38,801,666	1,316,800,220	61,079,182	19,416,280	3,062,714	1,439,160,062
Net inter segment lending	1,474,375,828	-	-	-	-	138,613,215	1,612,989,044
Lendings to financial institutions	-	-	132,718,198	-	11,419,496	2,650	144,140,344
Advances - performing	366,535,338	538,365,369	-	55,382,884	33,880,111	8,379,630	1,002,563,333
Advances - non-performing	20,476,154	32,196,797	-	41,049,352	203,934	54,825,480	148,751,717
Provision against advances	(20,660,860)	(23,223,824)	-	(40,266,386)	(203,934)	(58,820,961)	(143,175,966)
Advances - net	366,350,632	547,358,342	-	56,165,850	33,880,111	4,384,149	1,008,139,084
Others	27,160,773	40,745,805	3,971,387	4,014,363	5,925,563	145,397,304	227,215,194
Total assets	2,043,506,889	627,144,314	1,536,206,318	164,007,843	75,052,426	291,460,123	4,737,377,913
Borrowings	1,695,414	30,388,706	400,759,524	38,913,708	-	-	471,757,352
Deposits and other accounts	1,972,722,005	76,371,345	-	85,487,723	63,285,897	182,311	2,198,049,281
Net inter segment borrowing	-	488,444,930	1,081,180,371	36,248,475	7,115,268	-	1,612,989,044
Others	69,089,470	31,794,954	17,079,796	1,988,871	3,875,565	98,139,748	221,968,404
Total liabilities	2,043,506,889	626,999,935	1,499,019,691	162,638,778	74,276,729	98,322,059	4,504,764,080
Equity	-	144,379	37,186,627	1,369,066	775,697	193,138,065	232,613,833
Total equity and liabilities	2,043,506,889	627,144,314	1,536,206,318	164,007,843	75,052,426	291,460,123	4,737,377,913
Contingencies and commitments	833,218,160	236,880,686	823,455,129	28,997,140	-	31,345,046	1,953,896,161

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		2018					
		Rupees in '000					
	Branch Banking	Corporate & Investment Banking	Treasury	International Financial Institution & Remittance	Aitemaad & Islamic Banking	Head Office / Others	Total
Profit and loss account							
Net mark-up / return / profit	(26,862,520)	30,396,142	51,121,992	2,654,886	2,411,880	943,850	60,666,230
Inter segment revenue - net	72,329,938	(25,417,455)	(52,546,888)	-	(457,595)	6,092,000	-
Non mark-up / return / interest income	14,414,607	2,675,229	14,706,403	1,463,209	342,962	2,646,526	36,248,936
Total income	59,882,025	7,653,917	13,281,507	4,118,094	2,297,247	9,682,376	96,915,166
Segment direct expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	390,313	34,322,384
Inter segment expense allocation	-	-	-	-	-	21,609,028	21,609,028
Total expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	21,999,341	55,931,412
Provisions charge / (reversal)	(1,237,477)	10,450,280	1,315,797	(730,549)	87,201	1,415,121	11,300,373
Profit / (loss) before tax	33,851,428	(3,516,232)	11,654,299	1,482,966	(66,994)	(13,732,086)	29,683,381
Statement of financial position							
Cash and bank balances	121,763,323	189,794	78,372,622	54,739,132	4,655,330	89	259,720,290
Investments	-	42,297,041	1,155,765,373	55,950,776	23,914,372	6,391,826	1,284,319,388
Net inter segment lending	1,321,328,630	-	-	-	-	120,549,579	1,441,878,209
Lendings to financial institutions	-	-	104,971,318	-	1,417,699	2,650	106,391,667
Advances - performing	341,581,933	500,111,019	17,990	46,230,666	26,741,353	11,437,390	926,120,352
Advances - non-performing	19,917,069	22,069,620	-	39,181,569	364,825	51,826,712	133,359,795
Provision against Advances	(20,155,956)	(20,141,547)	-	(38,328,525)	(278,995)	(54,568,120)	(133,473,143)
Advances - net	341,343,047	502,039,092	17,990	47,083,710	26,827,183	8,695,982	926,007,004
Others	28,212,221	50,731,814	9,761,367	3,904,176	2,142,202	127,376,060	222,127,839
Total assets	1,812,647,220	595,257,740	1,348,888,669	161,677,793	58,956,785	263,016,187	4,240,444,395
Borrowings	1,041,673	21,864,290	333,432,591	36,400,842	-	-	392,739,396
Deposits and other accounts	1,775,438,333	80,797,426	-	104,127,206	51,022,237	-	2,011,385,201
Net inter segment borrowing	-	445,791,031	969,750,676	20,257,431	6,079,071	-	1,441,878,209
Others	36,167,214	45,304,962	24,212,748	1,650,466	1,146,689	79,090,974	187,573,054
Total liabilities	1,812,647,220	593,757,709	1,327,396,015	162,435,944	58,247,997	79,090,974	4,033,575,860
Equity	-	1,500,031	21,492,654	(758,151)	708,789	183,925,212	206,868,535
Total equity and liabilities	1,812,647,220	595,257,740	1,348,888,669	161,677,793	58,956,785	263,016,187	4,240,444,395
Contingencies and commitments	579,228,335	203,590,159	569,689,204	27,725,864	-	29,805,088	1,410,038,652

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

43.2 Segment details with respect to geographical locations

	2019					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
----- Rupees in '000 -----						
Profit and loss account						
Net mark-up / return / profit	68,763,540	(135,949)	81,192	1,028,536	2,169,958	71,907,277
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,368,002	373,516	303,359	579,091	575,517	36,199,485
Total income	103,131,542	237,567	384,551	1,607,627	2,745,475	108,106,762
Segment direct expenses	34,851,166	1,577,553	720,501	1,328,813	649,769	39,127,802
Inter segment expense allocation	26,725,318	-	-	-	-	26,725,318
Total expenses	61,576,484	1,577,553	720,501	1,328,813	649,769	65,853,120
Provisions	14,354,594	(165,239)	(5,771)	28,281	38,409	14,250,275
Profit / (loss) before tax	27,200,464	(1,174,748)	(330,180)	250,534	2,057,297	28,003,367
Statement of financial position						
Cash and bank balances	262,985,737	24,232,322	10,435,547	5,119,150	2,961,430	305,734,186
Investments	1,378,080,840	33,197,057	-	10,751,978	17,130,186	1,439,160,062
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	144,140,344	-	-	-	-	144,140,344
Advances - performing	947,180,449	7,553,135	120,810	14,706,409	33,002,530	1,002,563,333
Advances - non-performing	107,702,365	34,471,816	1,168,349	-	5,409,187	148,751,717
Provision against Advances	(102,909,580)	(34,767,043)	(1,168,349)	(34,009)	(4,296,985)	(143,175,966)
Advances - net	951,973,233	7,257,908	120,810	14,672,401	34,114,731	1,008,139,084
Others	223,200,831	2,730,741	121,839	373,587	788,196	227,215,194
Total assets	2,996,629,460	67,418,029	10,678,196	30,917,116	63,102,176	3,168,744,977
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits & other accounts	2,112,561,558	39,234,297	6,812,172	12,396,062	27,045,193	2,198,049,281
Net inter segment borrowing	-	25,343,803	3,679,631	15,332,672	-	44,356,106
Others	219,979,492	893,674	186,393	480,780	428,067	221,968,405
Total liabilities	2,765,384,693	67,297,702	10,678,196	30,532,227	62,238,326	2,936,131,144
Equity	231,244,767	120,327	-	384,889	863,850	232,613,833
Total equity and liabilities	2,996,629,460	67,418,029	10,678,196	30,917,116	63,102,176	3,168,744,977
Contingencies and commitments	1,924,899,021	4,703,237	3,479,436	6,359,387	14,455,079	1,953,896,161

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2018						
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	Rupees in '000					
Profit and loss account						
Net mark-up / return / profit	58,011,344	372,401	47,754	637,571	1,597,160	60,666,230
Non mark-up / return / interest income	34,785,728	640,497	214,100	282,268	326,344	36,248,936
Total Income	92,797,072	1,012,898	261,854	919,839	1,923,503	96,915,166
Segment direct expenses	30,558,523	1,292,532	604,635	912,033	556,476	33,924,200
Inter segment expense allocation	22,007,212	-	-	-	-	22,007,212
Total expenses	52,565,735	1,292,532	604,635	912,033	556,476	55,931,412
Provisions	12,030,922	(729,345)	(181)	(127,712)	126,689	11,300,373
Profit / (loss) before tax	28,200,414	449,711	(342,600)	135,518	1,240,338	29,683,381
Statement of financial position						
Cash and bank balances	204,981,158	19,275,569	7,576,196	25,721,371	2,165,997	259,720,290
Investments	1,228,368,613	28,246,370	-	8,201,033	19,503,372	1,284,319,388
Net inter segment lendings	20,257,430	-	-	-	3,975,816	24,233,246
Lendings to financial institutions	106,391,667	-	-	-	-	106,391,667
Advances - performing	879,889,686	8,863,859	559,157	5,373,523	31,434,126	926,120,352
Advances - non-performing	94,178,226	31,527,101	1,069,071	1,776,756	4,808,641	133,359,795
Provision against Advances	(95,144,619)	(31,653,822)	(1,074,372)	(1,781,391)	(3,818,940)	(133,473,143)
Advances - net	878,923,293	8,737,138	553,857	5,368,888	32,423,828	926,007,004
Others	218,223,663	2,341,154	112,792	588,903	861,326	222,127,839
Total assets	2,657,145,826	58,600,232	8,242,845	39,880,194	58,930,339	2,822,799,434
Borrowings	356,338,554	3,603,168	-	-	32,797,674	392,739,396
Deposits and other accounts	1,907,257,995	44,130,571	5,529,140	28,434,398	26,033,097	2,011,385,201
Net inter segment borrowing	-	10,200,719	2,551,012	11,481,515	-	24,233,246
Others	185,922,590	691,695	162,693	215,603	580,476	187,573,056
Total liabilities	2,449,519,139	58,626,154	8,242,845	40,131,515	59,411,247	2,615,930,899
Equity	207,626,686	(25,922)	-	(251,321)	(480,908)	206,868,535
Total equity and liabilities	2,657,145,825	58,600,232	8,242,845	39,880,194	58,930,339	2,822,799,434
Contingencies and commitments	1,382,312,787	5,496,677	2,338,069	1,785,079	18,106,040	1,410,038,651

44 TRUST ACTIVITIES

44.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Structure Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs.500 million, Rs.396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by Government of Pakistan and Rs.54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 758 million as at December 31, 2019 (2018: Rs.672 million).

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45. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in subsidiary companies, joint venture and associated undertaking and their provisions are stated in note 10 of the financial statement of the bank.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2019										2018										
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A.A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A.A/c)	Provident Fund	Other related parties	
Balances with other banks	Rupees in '000																				
In current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
In deposit accounts	-	-	-	-	1,159	-	-	-	-	-	-	-	-	-	16,836	-	-	-	-	-	
Investments	-																				
Advances	-																				
Opening balance	-	222,967	528,198	3,105,907	-	-	-	-	-	-	-	-	145,369	398,914	3,314,085	-	-	-	-	-	
Addition during the year	23,314	74,615	1,299,367	-	-	-	-	-	-	-	-	-	20,234	129,655	-	-	-	-	-	33,958	
Repaid during the year	(22,146)	(22,888)	(1,415,000)	(69,157)	-	-	-	-	-	-	-	-	(27,052)	(371)	(208,178)	-	-	-	-	(39,503)	
Transfer in / (out) - net*	(8,065)	(45,689)	-	-	-	-	-	-	-	-	-	-	84,416	-	-	-	-	-	-	222,605	
Closing balance	3,835	94,715	1,522,792	-	1,159	-	-	-	-	-	-	-	222,967	528,198	3,105,907	-	-	-	-	217,063	
Provision held against advances	-	-	-	284,565	2,827,375	-	-	-	-	-	-	-	-	288,565	2,849,657	-	-	-	-	-	
Other Assets	-																				
Interest / mark-up accrued	-	-	204,443	1,710,481	-	-	-	-	-	-	-	-	-	197,027	1,704,892	-	-	-	-	-	
Other receivable	-	-	75,962	-	-	-	-	-	-	-	-	-	-	78,258	-	-	-	-	-	-	
Provision against other assets	-	-	-	283,425	1,710,481	-	-	-	-	-	-	-	-	275,285	1,704,892	-	-	-	-	-	
Borrowings	-																				
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings during the year	-	-	-	-	39,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,920	
Settled during the year	-	-	-	-	241,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing balance	-	-	-	-	279,914	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(49,672)	
Deposits and other accounts	-																				
Opening balance	10,732	80,688	1,120,160	-	-	1,085	11,100,000	458,328	12,465,939	-	-	-	-	-	-	1,248	10,300,000	514,539	12,749,309	-	
Received during the year	23,314	625,431	403,078	-	-	45,832,581	-	11,785,192	2,246,185	273,669,395	-	-	-	-	-	4,300,229	28,800,000	16,639,785	14,268,653	-	
Withdrawn during the year	(22,146)	(591,564)	(446)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)	-	-	-	-	-	(4,300,392)	(28,000,000)	(16,695,998)	(14,552,023)	-	
Transfer in / (out) - net*	(8,065)	(19,840)	-	-	-	-	-	-	-	16,980,065	-	-	-	-	-	-	-	-	-	-	-
Closing balance	3,835	94,715	1,522,792	-	1,159	73	-	1,235,120	13,296,883	14,239,993	-	-	-	-	-	1,085	11,100,000	458,328	12,465,939	-	
Other Liabilities	-																				
Other payables to subsidiaries	-	-	7,396	-	-	-	-	-	-	-	-	-	-	5,874	-	-	-	-	-	-	
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	5,874	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

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	2019						2018							
	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
Income														
Mark-up / return / interest earned	-	13,672	-	112	-	-	-	-	20,480	-	153,652	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	1,860,682	-	-	-	-	-	-	17,496
Fee and commission income	-	2,131	-	-	-	-	-	-	6,050	-	-	-	-	-
Dividend income	-	51,300	6,000	-	-	-	-	-	109,125	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	38,268	4,638	-	-	-	15,558	-	25,670	4,636	-	-	-	15,558
Expense														
Mark-up / return / interest paid	-	29,672	-	780	204,666	1,690,456	4,345,823	-	18,025	-	937	767,837	1,687,126	-
Transaction Fee paid to company in which director of the bank is interested as director	-	-	-	-	-	-	-	-	-	-	-	-	-	5,874
Commission paid to subsidiaries	-	2,878	-	-	-	-	-	-	7,987	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	459,257	-	-	-	-	-	-	394,088	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	1,565	-	-	-	-	-	-	-

Rupees in '000

45.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,958 million (2018: 9,223 million) for the year ended December 31, 2019. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 377,158 million (2018: 353,001 million), Rs. 840,064 million (2018: 724,653 million) and Rs. 876,232 million (2018: 669,903 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 30,498 million (2018: 25,959 million) and Rs. 50,926 million (2018: 30,942 million) respectively.

Notes to the Unconsolidated Financial Statements

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46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks / DFIs are required to hold. Currently the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 14.00%.

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The bank has a leverage ratio of 3.36% in the year December 31, 2019 (2018: 3.42%) and Tier-1 capital of Rs. 142,716 million (2018: Rs. 124,818 million).

The SBP's regulatory capital as managed by the Bank is analysed into following tiers:

1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1
- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Tier III capital, has been eliminated in Basel III Capital requirements. Also the Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR). These deductions are being done in phased manner starting from 2014, with full deductions in 2018.

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2019 stood at Rs. 21,275 billion (2018 : Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 15.48% (2018: 16.35%).

There have been no material changes in the Bank's management of capital during the year.

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	2019	2018
	----- Rupees in '000 -----	
Minimum Capital Requirement		
Paid-up capital	162,369,773	146,882,410
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	142,716,150	124,818,200
Eligible Additional Tier 1 Capital	-	-
Total Eligible Tier 1 Capital	142,716,150	124,818,200
Eligible Tier 2 Capital	39,816,053	43,840,140
Total Eligible Capital (Tier 1 + Tier 2)	182,532,203	168,658,340
Risk Weighted Assets		
Credit Risk	913,568,310	795,527,135
Market Risk	91,752,716	81,071,227
Operational Risk	173,619,541	155,078,622
Total	1,178,940,567	1,031,676,984
Common Equity Tier 1 Capital Adequacy ratio	12.11%	12.10%
Tier 1 Capital Adequacy Ratio	12.11%	12.10%
Total Capital Adequacy Ratio	15.48%	16.35%
Leverage Ratio		
Tier-1 Capital	142,716,150	124,818,200
Total Exposures	4,252,343,911	3,645,020,976
	3.36%	3.42%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	890,965,256	949,424,482
Total Net Cash Outflow	603,741,462	560,346,109
Liquidity Coverage Ratio	148%	169%
Net Stable Funding Ratio		
Total Available Stable Funding	2,040,913,906	1,745,679,890
Total Required Stable Funding	875,207,068	544,123,198
Net Stable Funding Ratio	233%	321%

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46.1 The full disclosures on the Capital Adequacy Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time, is available on NBP's websites. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

47 RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Bank has in place a well-defined risk management strategy / policy with clear objectives and deliverables through multi-pronged risk management processes.

The Bank applies the Basel framework as a cornerstone of the NBP's risk management framework and capital strategy. The Bank maintains a strong capital, funding and liquidity position in line with its on-going commitment to maintain balance sheet strength. The strength of risk profile management of the Bank stands at the following pillars:

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.
- Optimize risk/return decisions by aligning them to business objective of achieving sustainable optimum growth.

In order to support Risk Management Group (RMG's) activities, the strong data management mechanism is also in place to collect and consolidate exposure wise information various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, performing periodic review, generates reports and highlights inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

The Project for Business Process Review and COSO Implementation has been conducted, which resulted in re-aligning the existing documentation with improved risk-based process flows, reviewing and updating existing policies / procedure manuals, streamlining operating models such as centralization of various functions and rationalizing various system functionalities / features for better Management information system (MIS) reporting and Core Banking Application (CBA) optimization.

In addition, Information Security Division (ISD) became an integral part of Risk Management Group to confronting the emerging risks arises due to the introduction and use of IT based systems.

47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group, i.e. separate from approvals and direct involvement in day-to-day activities. RMG reports directly to the President with a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations/ guidelines.

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholder value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Credit Committee, Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure formulation and implementation of risk management framework.

47.2 Risk Management Framework

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. Risk Management Group together with Compliance Group acts as second line of defence and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defence. The risk management is further strengthened by the third line of defence, where Board Audit and Compliance Committee and Audit & Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Bank's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

47.2.1 Credit Risk

Credit risk is the possibility that a debtor or counterparty can default on its contractual obligations to the Bank in accordance with agreed terms. Bank lending activities account for most of the Bank's credit risk, however, other sources of credit risk also exist throughout the undertakings of the Bank. The activities include loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. Bank has a separate setup that ensures the effectiveness of the framework for assessment / measurement, review and reporting of credit risk.

Bank has in place a concentration policy to classify the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential clients, counterparties, groups and to various industry segments. These risks are analysed on perpetual basis and is subject to frequent review. Vis-à-vis, Bank ensures that credit exposures are adequately collateralized and comprehensive risk palliating measures are taken to regulate overall credit risk exposure in accordance with Bank's tolerance limits.

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Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions, Bank also has an Internal Ratings System / Model based on multiple risk factors. The model provides an understanding of borrowers' current and future financial health. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, group, or industry is assessed frequently and accordingly limit setting is tailored in accordance with the evolving socio-economic / market conditions.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Public / Government	11,419,496	1,417,699	-	-	-	-
Private	132,896,998	105,150,118	176,150	176,150	176,150	176,150
	144,316,494	106,567,817	176,150	176,150	176,150	176,150

47.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Cement	19,453	19,453	19,453	19,453	19,453	19,453
Chemical	2,073,812	323,812	323,812	323,812	323,812	323,812
Construction	3,885,489	2,064,990	1,633,738	1,633,739	1,633,738	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,425,089	1,820,112	656,831	667,725	656,831	667,728
Sugar	785,469	835,681	785,469	396,799	572,385	396,799
Textile	1,151,768	651,768	651,768	651,768	651,768	651,768
Transport	2,803,718	7,267,013	-	-	-	-
Financial	9,344,916	7,089,844	90,887	90,888	82,127	82,122
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Leather & Tanneries	5,287	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	66,660	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology & Communication	11,072	178	11,072	178	11,072	178
Vanaspati & Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil & Gas Marketing	95,986	95,986	686	686	686	686
Cable & Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts & Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	35,464,521	36,697,825	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper & Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	500,000	500,000	-	-	-	-
Services	950,000	-	-	-	-	-
Miscellaneous	787,524	665,814	25,992	25,992	25,992	25,992
	60,670,593	59,459,729	5,571,484	5,182,817	5,349,640	5,174,053

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Public / Government	32,463,359	42,259,958	7,620	7,620	7,620	7,620
Private	28,207,234	17,199,771	5,563,864	5,175,197	5,342,020	5,166,433
	60,670,593	59,459,729	5,571,484	5,182,817	5,349,640	5,174,053

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47.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting & Fishing	59,016,306	49,662,810	5,565,495	4,402,110	4,133,877	3,177,683
Mining & Quarrying	2,079,833	22,745	870,598	17,801	465,220	17,801
Textile	130,556,474	110,488,207	35,115,055	38,864,324	33,826,039	38,568,647
Chemical & Pharmaceuticals	3,698,135	6,412,431	2,789,583	3,063,802	2,781,935	3,003,942
Cement	28,285,797	26,257,014	4,177,487	1,979,734	2,466,565	1,979,734
Sugar	34,366,817	38,254,733	14,392,989	12,534,711	12,666,718	12,154,881
Footwear and Leather garments	2,095,757	2,360,408	847,135	807,322	846,235	807,322
Automobile & Transportation Equipment	8,711,039	7,054,570	959,014	945,441	959,014	944,517
Electronics & Electrical Appliances	7,204,298	6,409,085	2,234,231	2,285,963	2,222,981	2,229,713
Construction	12,242,713	12,368,450	5,323,770	5,118,701	5,304,434	5,079,926
Power (electricity), Gas, Water, Sanitary	289,464,374	276,911,048	5,434,940	3,773,655	4,448,807	3,773,655
Wholesale and Retail Trade	36,169,269	43,444,267	10,710,483	4,159,078	10,437,288	4,119,598
Exports / Imports	1,486,667	763,528	68,583	383,341	68,583	375,841
Transport, Storage and Communication	56,638,111	59,956,872	10,091,004	9,392,976	7,925,250	8,111,406
Financial	40,693,010	27,574,614	294,380	452,815	294,380	290,018
Services	14,100,214	12,926,433	1,958,137	2,403,166	1,516,649	2,403,166
Individuals	170,312,059	148,892,155	6,086,261	7,009,864	4,181,677	4,872,420
Fertilizer	20,813,179	19,677,499	2,885,878	2,899,669	2,860,734	2,899,008
Metal Products	67,474,262	64,875,984	23,353,861	19,090,063	22,345,884	17,967,424
Telecommunication	16,307,814	13,209,014	1,135,662	1,074,241	1,135,662	1,074,241
Public Sector Commodity Operations	66,638,547	67,222,362	73,785	73,785	73,785	73,785
Rice processing & Trading	26,950,629	28,657,001	4,575,187	4,574,543	4,494,866	4,545,340
Food and Tobacco	11,927,347	8,115,938	3,862,399	2,700,660	3,336,685	2,663,201
Glass and Ceramics	5,043,655	2,328,244	423,641	422,595	423,641	422,595
Paper & Board	1,820,422	1,709,687	953,829	700,655	655,672	588,257
Engineering	24,966,577	13,499,460	1,423,696	1,373,475	1,421,196	1,340,601
Plastic Products	2,737,171	2,156,121	666,403	945,564	488,349	923,077
Media	2,222,899	2,324,999	151,457	151,457	151,457	151,457
Flour Mills	3,357,250	2,959,383	597,580	543,893	551,860	493,115
Sports Goods	727,511	505,417	93,818	94,222	87,818	94,222
Others	3,206,913	2,479,668	1,635,376	1,120,170	1,596,755	1,119,449
	1,151,315,050	1,059,480,147	148,751,717	133,359,795	134,170,016	126,266,039

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Public / Government	377,158,182	353,000,659	2,522,432	2,526,128	2,522,432	2,526,128
Private	774,156,868	706,479,488	146,229,285	130,833,667	131,647,584	123,739,911
	1,151,315,050	1,059,480,147	148,751,717	133,359,795	134,170,016	126,266,039

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	2019	2018
	----- Rupees in '000 -----	
47.2.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting & Fishing	235,536	223,213
Mining & Quarrying	3,000	1,720,601
Textile	9,792,996	7,187,737
Chemical & Pharmaceuticals	14,507,473	14,423,521
Cement	10,121,549	5,922,193
Sugar	742,270	629,349
Footwear and Leather garments	10,928	22,890
Automobile & Transportation Equipment	1,979,186	2,702,508
Electronics & Electrical Appliances	2,154,502	2,200,308
Construction	9,697,086	5,946,949
Power (electricity), Gas, Water, Sanitary	159,559,087	162,518,899
Wholesale and Retail Trade	1,555,095	4,026,616
Exports / Imports	27,996	15,640
Transport, Storage and Communication	17,513,951	17,106,207
Financial Services	901,993,463	609,243,935
Individuals	746,058,170	505,211,701
Fertilizer	264,219	322,799
Metal Products	3,853,225	2,112,212
Telecommunication	2,365,866	2,621,921
Public Sector Commodity Operations	15,745,882	10,829,417
Rice processing & Trading	1,095,352	1,145,176
Food and Tobacco	44,951	145,000
Glass and Ceramics	687,387	194,405
Paper & Board	1,553,100	628,694
Engineering	551,120	657,319
Plastic Products	48,284,197	50,207,516
Flour Mills	142,657	265,048
Surgical equipments	19,352	-
Others	750	5,108
	3,335,815	1,801,769
	1,953,896,161	1,410,038,651

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

Public / Government	876,232,352	669,902,699
Private	1,077,663,809	740,135,952
	1,953,896,161	1,410,038,651

47.2.1.5 Concentration of Advances

The bank top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,036,638 million (2018: Rs. 832,299 million) are as follows:

	2019	2018
	----- Rupees in '000 -----	
Funded	238,481,635	252,217,265
Non Funded	798,156,427	580,082,098
Total Exposure	1,036,638,062	832,299,363

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,073,636 million (2018: Rs. 866,076 million)

Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	2,522,432	2,522,432	2,522,432	2,522,432

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47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019					
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000					
Punjab	228,866,286	303,200	-	-	125,043	299,671
Sindh	10,707,703	262,168,186	549,899	27,482,303	63,721,751	-
KPK including FATA	-	-	9,492,232	-	-	-
Balochistan	4,979	-	-	4,979	-	-
Islamabad	42,498,179	10,717,298	2,764,372	-	17,001,014	-
AJK including Gilgit - Baltistan	4,921,666	3,882	-	-	-	4,917,794
Total	650,421,972	273,188,684	12,806,503	27,487,282	80,847,808	5,217,455

Province / Region	2018					
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000					
Punjab	223,164,822	1,260,394	-	-	-	-
Sindh	418,508,463	337,521,741	4,575,993	1,860,380	55,469,362	-
KPK including FATA	10,156,322	-	10,156,322	-	-	-
Balochistan	4,762,370	-	-	4,762,370	-	-
Islamabad	68,921,607	17,918,593	628,607	-	42,070,720	-
AJK including Gilgit-Baltistan	5,489,347	-	-	-	-	5,489,347
Total	731,002,931	356,700,728	15,360,922	6,622,750	97,540,082	5,489,347

47.2.2 Market Risk

Market Risk is the potential for losses to arise from trading activities undertaken by the Bank as a result of movements in market rates or prices such as interest rates, foreign exchange rates, and equity prices.

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, and spread movements of its earning assets, liabilities and trading activities. Bank has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel regulatory framework. Whereas, stress testing for interest rate, equity prices, and exchange rates risks related to market and non-market based activities is carried out regularly to estimate the impact on the capital of the Bank

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed. These triggers are used for proposing / recommending actions to ALCO for deliberation and necessary action.

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47.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Bank which may result in instability of market based interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
 - Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
 - Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.
- The above mentioned risks are not only measured, monitored, and managed from the regulatory purpose, but from the perspective of internal management.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
		175,771		4,418,739
	14,259,122	-	7,254,690	-

Impact of 1% change in interest rates

- Profit and loss account
- Other comprehensive income

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	2019										Non-interest bearing financial instruments	
	Exposed to Yield/ Interest risk											
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
0.0%	292,513,379	32,224,427	599,716	796,971	569,701	-	-	-	-	-	-	258,322,564
12.2%	13,220,807	4,443,852	1,202,496	435,643	662,730	-	-	-	-	-	-	6,476,086
13.2%	144,140,344	132,680,046	2,069,362	-	-	1,417,699	7,942,635	-	-	-	-	-
10.9%	1,499,160,062	5,628,068	52,366,466	14,695,312	737,296,216	184,537,658	77,281,527	97,554,750	186,426,924	13,494,957	69,676,184	1,176,645
10.3%	1,008,139,084	256,873,260	353,412,778	177,991,773	48,724,169	24,384,306	31,480,521	65,056,293	29,993,575	17,065,764	1,176,645	1,176,645
0.0%	85,392,160	-	-	-	-	-	-	-	-	-	-	85,392,160
	2,982,565,636	434,049,654	409,681,418	193,919,699	787,254,816	210,339,663	116,684,683	162,811,043	216,420,499	30,560,721	421,043,639	
0.0%	19,867,424	-	-	-	-	-	-	-	-	-	-	19,867,424
13.3%	471,757,352	379,837,482	37,713,498	22,070,344	23,326,881	863,588	2,827,955	2,909,254	2,111,350	-	-	884,365,790
6.3%	2,198,049,281	1,139,047,129	72,567,558	25,086,714	41,286,402	7,002,425	5,387,496	10,125,768	160,000	-	-	-
10.0%	180,137,239	78	14,849	39,013	73,210	355,554	764,897	1,692,291	3,424,044	1,276,252	-	-
0.0%	2,877,451,484	1,518,884,688	110,295,905	50,196,072	64,680,493	8,221,567	9,060,348	14,730,312	5,715,394	1,276,252	1,094,370,453	
	105,114,351	(1,084,835,034)	299,385,513	143,723,628	722,574,323	202,118,096	107,604,335	147,880,731	210,705,105	29,284,469	(673,326,814)	
	937,616,635	-	-	-	-	-	-	-	-	-	-	937,616,635
	156,394,964	49,843,489	66,890,830	29,004,137	10,686,509	-	-	-	-	-	-	-
	(21,650,953)	(21,650,953)	-	-	-	-	-	-	-	-	-	-
	566,855	564,779	8,228	-	3,848	-	-	-	-	-	-	-
	13,500	-	6,750	-	6,750	-	-	-	-	-	-	-
	1,072,941,001	28,747,315	66,875,808	29,004,137	10,697,107	-	-	-	-	-	-	937,616,635
	(1,056,087,719)	366,261,320	172,727,765	733,271,430	202,118,096	107,604,335	147,880,731	210,705,105	29,284,469	29,284,469	264,289,821	
	(1,056,087,719)	(869,826,399)	(617,098,635)	216,172,795	418,290,891	525,895,227	673,775,958	894,481,063	913,766,532	1,178,055,332		

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Effective Yield/ Interest rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
	Rupees in '000										
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	247,516,270	24,509,176	-	-	-	-	-	-	-	-	223,009,094
Balances with other banks	12,202,020	3,360,575	899,549	800,616	703,934	-	-	-	-	-	6,437,346
Lending to financial institutions	106,391,667	104,773,968	100,000	100,000	1,417,699	58,004,390	112,598,318	10,325,821	-	-	65,210,938
Investments	1,284,919,388	228,579,277	516,721,300	74,571,877	33,995,849	106,605,905	76,905,713	26,297,797	13,079,526	-	1,230,501
Advances	926,007,004	151,301,522	326,961,309	211,277,199	83,030,025	25,012,801	19,844,648	65,971,676	92,475,161	-	92,475,161
Other assets	2,668,913,510	512,524,518	846,682,158	286,749,692	117,129,808	131,618,706	79,266,737	142,277,388	23,405,347	-	388,363,040
Liabilities											
Bills payable	9,944,178	-	-	-	-	-	-	-	-	-	9,944,178
Borrowings	392,739,396	19,111,863	10,036,682	252,115	137,518	2,903,261	2,364,941	113,425	3,312,140	-	773,839,619
Deposits and other accounts	2,011,385,201	1,094,919,396	26,015,302	59,104,551	46,068,888	-	-	4,136,245	32,999	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	169,358,853	-	-	-	-	-	-	-	-	-	169,358,853
On-balance sheet gap	2,593,427,629	1,454,695,047	47,127,165	69,141,233	46,321,003	3,040,779	2,364,941	4,249,671	3,345,139	-	953,142,650
	85,485,881	(942,170,529)	801,554,993	217,608,459	70,808,805	128,577,927	76,801,796	138,027,717	135,550,976	23,405,347	(654,779,609)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions	716,304,478	-	-	-	-	-	-	-	-	-	716,304,478
Commitments in respect of:											
- forward foreign exchange contracts	112,547,239	31,240,350	73,421,491	10,099,425	(2,214,027)	-	-	-	-	-	-
- forward government securities transactions	45,163,250	41,587,500	3,575,750	-	-	-	-	-	-	-	-
Commitments for acquisition of:											
- fixed assets	431,521	328,795	6,208	41,337	55,180	-	-	-	-	-	-
- other commitments	13,500	6,750	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	874,458,988	73,156,645	77,010,199	10,140,762	(2,152,096)	-	-	-	-	-	716,304,478
Total Yield / Interest Risk Sensitivity Gap	(869,013,884)	878,585,192	227,749,222	68,656,709	128,577,927	76,801,796	138,027,717	135,550,976	23,405,347	151,524,889	
Cumulative Yield / Interest Risk Sensitivity Gap	(869,013,884)	9,551,308	237,300,530	305,957,239	434,935,166	511,438,963	649,464,680	785,015,656	808,421,002	959,945,870	

47.2.2.6 Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities

	2019	2018
	Rupees in '000	
Total Financial Assets as per note 47.2.2.5	2,982,565,836	2,668,913,510
Add: Non-Financial Assets		
Fixed Assets	54,303,565	53,859,883
Intangible Assets	374,950	245,658
Right of Use Assets	7,221,266	-
Other Assets	79,923,253	75,547,137
Total assets as per statement of financial position	3,124,388,870	2,798,566,188
Total Financial Liabilities as per note 47.2.2.5	2,877,451,484	2,583,427,629
Add: Non-Financial Liabilities		
Deferred Tax Liabilities	10,915,802	6,985,042
Other Liabilities	3,407,751	1,284,983
Total liabilities as per statement of financial position	14,323,553	8,270,025
	2,891,775,037	2,591,697,653

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47.2.3 Operational Risk

The Bank may suffer losses due to its exposure to Operational Risk. To mitigate, a comprehensive Operational Risk Management (ORM) Framework has been developed to align the Bank's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank including launching of new products and services by the bank. Bank realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis.

Bank has also conducted Root Cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per regulatory framework, Bank calculates capital charge for its operational risk using Basic Indicator Approach.

47.2.4 Information Security Risk

In today's highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented.

The Bank, hence, classifies Information as a critical asset and declares the related information storing, processing and transmitting facilities / systems as information assets. Information may exist in many forms across the organization such as digital as well as non-digital (paper based). Hence, the Risk Management Group is responsible to provide a framework for information security risk management of information assets to the respective stakeholders. The information security risk management includes risk identification, risk analysis, risk evaluation and risk treatment plans. Information Security Risk Management Framework (ISRMF) v1.0 has been approved by BoD in its 292nd meeting whereas Cyber Security Management Framework (CSMF) v1.0 has been recommended for BoD approval by ERC and BRCC Management Forums.

In addition to above IS Division is also working on Frameworks related IS Incident & Forensics and Card Security, there are other relevant information security domains in which the Information Security Division is responsible for governance and/or execution such as Information / Cyber Security awareness and trainings, Digital Payments Security and Internet / Mobile Banking Security reviews. The respective division is taking care of all such aspects by ensuring the information security in NBP while taking in loop other relevant stakeholders such as Technology and Digitalization Group, Compliance, Operations etc. The Information Security Division of Risk Management Group has also revised the Information Security Policy v3.0 in 2018 which is applicable Bank wide for information security assurance. The division reviews the policy matters related to the information security of NBP's international branches as and when contacted by the International Banking Group and currently overseeing implementation of GDPR at Frankfurt and Paris branches. The security reviews of various applications are conducted in coordination with the respective business group (owner) as well as the Technology and Digitalization Group (custodian). The establishment of Security Operations Center (SOC) to monitor Information Security operations and PCI DSS certification for Payment Card Infrastructure are major strategic initiatives that IS division is currently working on.

47.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Downward Shift in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in combinations are covered under the Bank-wide Recovery Plan. These risks are monitored on certain frequency and corrective actions are taken as and when deemed necessary.

The Bank has also started preparation on periodic basis to implement advanced methodologies of risk quantification based on sophisticated modeling techniques; macro-stress testing is, one of the tool developed and implemented by the Bank, conducted assuming synthetic deterioration in macro-economic factors to possibly measure the impact on capital of the Bank which is based on time series methodology and is validated.

47.2.6 Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

To mitigate this risk, management has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Bank's reputation, as well as to capitalize on opportunities for business expansion and profitability. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs /requirements. Bank has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc.

47.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

		2019													
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years	
		Rupees in '000													
Assets															
Cash and balances with treasury banks	292,513,379	290,465,424	81,567	-	-	599,716	796,871	-	568,701	-	-	-	-	-	
Balances with other banks	13,220,807	6,476,086	1,423,017	887,922	-	464,864	435,643	281,610	381,122	-	-	-	-	-	
Lending to financial institutions	144,140,344	131,180,048	-	1,500,000	2,099,962	2,099,962	-	-	-	-	7,942,635	-	-	-	
Investments	1,439,160,062	3,330,465	-	1,302,749	1,302,749	4,489,265	14,695,312	523,958,573	255,081,682	188,113,878	96,113,283	98,526,197	204,352,804	128,733,080	
Advances	1,008,139,084	314,292,542	3,578,494	47,977,155	1,804,893	47,520,373	76,253,146	58,168,112	27,633,786	36,951,689	53,827,035	177,824,629	48,569,605	-	
Fixed assets	54,303,565	-	-	-	-	-	-	-	740,557	2,854,729	124,983	124,983	1,398,116	-	
Intangible assets	374,950	-	-	-	-	-	-	-	124,983	124,983	124,983	124,983	-	-	
Right of Use Assets	7,221,286	-	-	57	-	12,813	39,062	18,712	49,893	333,520	691,665	1,611,699	4,462,730	-	
Other assets	165,315,413	25,404,933	-	-	-	28,554,846	14,062,481	1,910,729	1,910,729	53,307,008	9,238,721	2,161,113	-	-	
Total	3,124,386,870	6,39,969,499	136,263,127	5,060,554	51,663,757	83,741,839	111,354,721	106,282,625	594,337,736	285,103,707	169,478,879	281,521,754	386,119,218	-	
Liabilities															
Bills payable	19,867,424	19,867,424	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings	471,757,352	3,468,570	314,687,849	55,955,355	13,787,296	13,787,296	22,070,344	22,981,161	343,720	863,688	2,927,955	2,909,254	2,111,350	-	
Deposits and other accounts	2,168,049,281	1,836,033,656	16,492,044	113,315,385	9,565,683	56,249,692	37,592,992	35,570,618	27,718,421	11,749,879	14,177,962	25,542,794	1,586,472	-	
Liabilities against assets subject to right of use assets	7,640,188	-	-	78	-	13,695	39,013	20,309	52,901	355,554	784,897	1,692,291	4,700,296	-	
Deferred tax liabilities	10,916,302	-	-	-	-	-	-	-	-	-	-	-	4,486,840	-	
Other liabilities	183,544,900	79,092,922	563,769	608,849	15,135,008	29,701,280	15,973,276	1,056,006	956,692	18,239,151	4,509,248	8,773,318	8,528,141	-	
Total	2,891,793,037	1,938,462,574	331,753,662	15,687,821	169,879,687	85,185,690	66,092,777	59,665,225	29,071,734	31,208,172	22,390,061	45,345,599	21,413,099	-	
Net assets	232,613,833	(1,298,493,075)	(195,490,536)	(10,827,268)	(118,215,910)	(1,443,851)	45,261,944	30,617,400	524,708,742	257,420,719	146,098,818	236,176,196	364,705,119	-	
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	52,308,742	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unappropriated profit	88,785,900	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	70,244,960	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	232,613,833	-	-	-	-	-	-	-	-	-	-	-	-	-	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

2018

Rupees in '000

	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Assets														
Cash and balances with treasury banks	247,518,270	247,406,130	112,140	-	-	-	-	800,616	-	-	-	-	-	-
Balances with other banks	12,202,020	6,437,346	1,543,778	1,089,904	726,892	280,381	619,168	800,616	579,334	124,601	-	-	-	-
Lending to financial institutions	108,391,667	-	101,773,968	3,000,000	-	100,000	100,000	100,000	-	-	-	1,417,699	-	-
Investments	1,284,319,386	5,218,852	2,189,743,329	768,772	3,619,296	511,035,382	7,665,919	74,571,877	45,232,953	27,220,900	110,353,539	74,038,674	77,483,170	128,115,728
Advances	928,007,004	280,855,744	945,816	9,272,764	33,848,794	63,445,603	15,882,198	78,656,924	50,180,083	40,987,643	44,159,078	61,542,803	141,933,047	104,486,509
Fixed assets	53,859,883	-	-	-	-	-	-	-	-	825,594	2,760,199	825,592	1,452,666	47,985,832
Intangible assets	245,658	-	-	-	-	-	-	-	-	81,886	81,886	-	-	-
Other assets	168,022,298	15,088,595	952,126	714,421	944,389	33,922,311	33,514,576	13,437,028	1,596,152	1,573,578	51,909,434	11,958,391	2,411,297	-
	2,798,566,188	555,006,667	324,302,154	14,845,881	38,839,371	608,683,677	57,811,859	167,566,445	97,588,522	70,814,202	209,264,136	149,885,045	223,280,180	280,598,069
Liabilities														
Bills payable	9,944,178	9,944,178	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	382,739,396	3,807,347	208,012,046	133,854,642	13,101,617	9,888,857	9,273,007	10,036,682	137,518	114,588	137,518	-	113,425	3,312,138
Deposit and other accounts	2,011,385,201	1,671,322,381	15,517,712	16,567,114	97,152,770	20,861,300	41,741,703	60,123,706	34,859,415	16,185,005	10,684,700	9,887,854	15,465,016	1,226,465
Deferred tax liabilities	6,985,042	-	-	-	-	-	-	-	-	-	-	-	(4,087,365)	11,072,427
Other liabilities	170,643,836	51,174,304	32,470	34,399	81,138	23,506,212	36,506,269	10,252,890	805,539	805,198	28,670,924	3,889,852	7,547,452	7,355,200
	2,591,697,653	1,736,248,210	224,562,288	150,466,155	110,335,525	54,008,369	87,520,978	80,413,278	35,802,462	17,084,801	39,493,142	13,767,706	19,089,508	22,966,231
Net assets	206,868,535	(1,181,241,543)	99,739,866	(135,610,294)	(71,396,154)	554,675,308	(29,709,119)	87,153,167	61,786,060	53,729,401	168,770,994	136,097,339	204,241,672	257,631,838
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	53,274,402	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	72,332,877	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	59,986,125	-	-	-	-	-	-	-	-	-	-	-	-	-
	206,868,535	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

47.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

		2019								
		Rupees in '000								
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	292,513,379	164,886,209	3,238,348	58,620,388	58,393,118	7,365,317	-	-	-	-
Balances with other banks	13,220,807	10,919,938	1,202,496	435,643	662,730	-	-	-	-	-
Lending to financial institutions	144,140,344	132,680,048	2,099,962	-	-	1,417,699	7,942,635	-	-	-
Investments	1,439,160,062	5,951,867	52,366,466	14,695,312	779,040,256	188,113,879	96,113,283	98,526,197	186,426,924	17,925,878
Advances	1,008,139,084	301,060,066	167,009,328	58,627,787	84,406,442	36,851,889	53,626,734	177,824,629	87,170,265	41,561,945
Fixed assets	54,303,565	-	-	-	740,557	2,854,729	740,557	1,398,116	-	48,569,604
Intangible assets	374,950	-	-	-	124,983	124,983	124,983	-	-	-
Right of Use Assets	7,221,266	77	13,907	39,062	68,605	333,520	691,665	1,611,699	3,270,264	1,192,466
Other assets	165,315,413	51,892,509	32,967,800	11,926,805	3,821,457	53,307,008	9,238,721	2,161,113	-	-
	3,124,388,870	667,400,714	258,898,307	144,344,997	927,258,148	290,369,024	168,478,579	281,521,754	276,867,453	109,249,893
Liabilities										
Bills payable	19,867,424	9,433,021	570,011	204,891	8,241,485	1,418,016	-	-	-	-
Borrowings	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-
Deposits and other accounts	2,198,049,281	666,496,270	109,958,653	270,008,867	321,715,872	270,687,403	273,115,486	284,480,259	1,566,472	-
Liabilities against assets subject to right of use assets	7,640,188	78	14,849	39,013	73,210	355,554	764,897	1,692,291	3,424,044	1,276,252
Deferred tax liabilities	10,915,802	-	-	-	-	-	-	6,428,961	4,486,841	-
Other liabilities	183,544,990	68,039,376	53,598,960	19,033,157	2,823,639	18,239,151	4,509,248	8,773,318	4,264,070	4,264,071
	2,891,775,037	1,123,806,227	201,855,971	311,356,272	356,179,088	291,563,712	281,317,566	304,283,082	15,872,778	5,540,323
Net assets	232,613,833	(456,405,513)	57,042,336	(167,011,275)	571,079,060	(1,194,688)	(112,839,006)	(22,761,327)	260,994,676	103,709,569
Share capital	21,275,131									
Reserves	52,308,742									
Unappropriated profit	88,785,900									
Surplus on revaluation of assets	70,244,060									
	232,613,833									

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2018									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	247,518,270	148,843,966	3,045,009	45,715,194	45,715,194	4,198,907	-	-	-	-
Balances with other banks	12,202,020	9,797,921	899,549	800,616	703,934	-	-	-	-	-
Lending to financial institutions	106,391,667	104,773,968	100,000	100,000	-	-	1,417,699	-	-	-
Investments	1,284,319,388	228,581,247	518,721,300	74,571,877	72,453,853	110,353,539	74,038,674	77,483,170	112,598,318	15,517,410
Advances	926,007,004	268,658,633	153,845,648	63,731,956	87,823,793	44,172,859	61,555,585	141,933,047	65,399,030	39,096,513
Fixed assets	53,859,883	-	-	-	825,594	2,760,199	825,593	1,452,666	-	47,995,831
Intangible assets	245,658	-	-	-	81,886	81,886	81,886	-	-	-
Other assets	168,022,298	33,224,664	53,167,095	12,181,685	3,169,730	51,909,434	11,958,391	2,411,299	-	-
	2,798,566,188	793,880,399	729,778,601	197,101,328	210,573,924	213,476,824	149,877,828	223,280,182	177,997,348	102,599,754
Liabilities										
Bills payable	9,944,178	4,582,707	346,059	263,711	4,467,402	284,299	-	-	-	-
Borrowings	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,141	-
Deposits and other accounts	2,011,385,201	600,692,427	87,023,660	281,536,280	288,413,100	249,499,932	248,713,086	254,280,249	1,226,467	-
Deferred tax liabilities	6,985,042	-	-	-	-	-	-	-	(4,087,365)	11,072,427
Other liabilities	170,643,836	44,399,685	64,686,470	11,792,470	2,821,784	28,670,923	3,869,852	7,547,452	3,677,600	3,677,600
	2,591,697,653	1,009,450,471	171,168,052	303,629,143	295,454,401	278,592,672	252,582,938	261,941,126	4,128,822	14,750,027
Net assets	206,868,535	(215,570,072)	558,610,549	(106,527,815)	(84,880,477)	(65,115,848)	(102,705,110)	(98,660,944)	173,868,525	87,849,727
Share capital	21,275,131									
Reserves	53,274,402									
Unappropriated profit	72,332,877									
Surplus on revaluation of assets	59,986,125									
	206,868,535									

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

47.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, fx and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivative contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, Forward rate agreements, Foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

48. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2018: Rs. Nil per share) amounting to Rs. Nil (2018: Rs. Nil) at its meeting held on February 28, 2020 for approval of the members at the annual general meeting to be held on March 24, 2020. These unconsolidated financial statements do not reflect this appropriation as explained in note 5.19.

49. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to conform to the presentation adopted in the current year. Such reclassifications do not impact the Bank's previous year reported profit or equity.

50. GENERAL

50.1 Figures have been rounded off to the nearest thousand rupees.

51. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated financial statements were authorized for issue on February 28, 2020 by the Board of Directors of the Bank.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

Sr. No.	Name & Address of the borrower	Name of Individuals / Partners/ Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest / Mark-up written off.	Other financial relief / waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total (5+6+7)				
1	Muhammad Hayat Nasir	3	4	5	6	7	8	9	10	11	12
1	Muhammad Hayat Nasir Street Ahmad Faqeer Wali Near Muiahid Town Mianwali	Muhammad Hayat Nasir 36302-3075384-1	Malik Ali Muhammad	536	308	-	844	536	-	308	844
2	Asama Enterprises 210, 2ND Floor, Mallia Plaza Multan Cantt. Multan	Mr. Shabbir Elahi Rana 36302-9515440-3	Mr. Asghar Elahi Rana	2,996	956	121	4,073	-	-	520	520
3	Khawar Naseer Baig House # 13 Mohallah Khan Colony Chungi No. 7, LMQ Road Multan	Mr. Khawar Naseer Baig 36302-7289487-5	Mirza Naseer Baig	2,100	864	180	3,144	-	-	645	645
4	Farooq Ahmed House # 149, Nemat Street Garden Town Multan	Mr. Farooq Ahmed 36302-0461756-5	Nemat Ali Khan	465	2,279	335	3,079	-	-	1,390	1,390
5	M/s Nadeem Textile Mills 890 - Ittefaq Pura Chungi # 14 Multan	Muhammad Naeem Iqbal 36302-8653737-1 Muhammad Nadeem Iqbal 36302-9994936-1	Haji Khushi Muhammad Haji Khushi Muhammad	-	1,665	105	1,770	-	-	1,217	1,217
6	Bhinder Traders Basawal Guranwala C/o Zamindara Rice Mills Talwandi Musa Khan Distt Gujranwala.	Muhammad Bashir 34101-1317812-9	Miraj Din	-	605	5,438	6,043	-	-	2,598	2,598
7	Silk Route Transport Company General Bus Stand Jutial Gilgit	Col Karim Ahmad Shah 71501-4644425-3 Javed Wali 71502-2045149-3 Mirbaz Khan 71501-5375141-1	Shah Jahan Ghulam Wali Khan Mir Ahmad Khan	-	7,399	333	7,732	-	-	7,399	7,399
8	Tanveer Hassan H.No.CB=1028, Gall-6, Darus Salam,Dhoke Ziarat Kamalabad, Rawalpindi	Tanveer Hassan 37405-4789714-9	Manzoor Hussain	482	60	-	542	482	-	60	542
9	Muhammad Ramzan Dhoke Gujran, P.O.Sadar, House No.460, Rawalpindi	Muhammad Ramzan 37405-5251018-3	Jean Muhammad Mughal	529	6	-	535	529	-	-	529
10	Zulkarnain Ali Shah Sheikhan Gul Ahmad Shah PO Bazar Ahmad Khan Bannu	Zulkarnain Ali Shah 11101-0487604-5	Syed Akber Ali Shah	582	7	-	589	582	-	7	589

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Sr. No.	Name & Address of the borrower	Name of Individuals / Partners/ Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest / Mark-up written off.	Other financial relief / waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total (5+6+7)				
11	(i) Murshid Cotton Ginning & Pressing Factory (ii) Hinglaj Oil Mill (iii) Dileep Kumar Fertilizer Survey No. 311 Nawabshah Road 6-B Dimtapa Rawitiani Taluka Sinjhoru District Sanghar	Ramesh Kumar 44203-9253012-5 Pehajj Mal 44203-6098905-7 Meero Mal 44203-2261716-1	Pehajj Mal Geneso Mal Gawal Mal	17,603	23,893	-	41,496	-	1,407	1,407	
12	Fakir Cotton ginning Pressing & Oil Mills Fakirabad Gambat Al Waheed House, FT # 2, 43, Rose Street, MCNeil Road, Cantt Karachi	F.S. Z.Awwaruddin 42301-1541255-3 Iqtidar Uddin 42301-2230777-3 F.S.Aizazuddin 440-88-001410	F.S. Aizazuddin Fakir S. Aizazuddin F.S.Waheeduiddin	-	9,477	-	9,477	-	2,367	2,367	
13	G.M Fishries 1-B, Fish Harbour, West Wharf Road Karachi	M. Younus 42201-6461314-3 M.Ahmoed Yousuf 42201-4461513-3 Imran Mehmood 42201-2595267-5	-	-	4,748	-	4,748	-	2,173	2,173	
14	Muhammad Arshad Band Road Mohallah, Masoom Pura Pindi Bhattian	Muhammad Arshad 34302-0129609-5	Muhammad Ashraf	619	37	-	656	619	37	656	
15	Muhammad Farooq-e-Azam S/O Allah Bakhtsh Thanda Pani, Islamabad	Muhammad Farooq-e-Azam 32402-7040301-5	Allah Bakhtsh	311	298	-	609	311	298	609	
16	Muhammad Iqbal S/O Muhammad Khan House No. 409 Street No. 02 Dhoke Sector-2 Bajora Phase - 8 Rawalpindi M/S Phoenix Metalware	Muhammad Iqbal 34402-1665065-3 Ms. Uzma Baig 34603-1726845-2	Muhammad Khan	1,166	-	-	1,166	1,166	-	1,166	
17	Toorabad, Daska Road Sialkot, Pakistan	Muhammad Yousaf Abid 35302-4458233-3	Saleem Mirza Baig Shaheen Baig Shahadat	-	4,934	-	4,934	-	3,900	3,900	
18	Late Imdad Ali Soomro (Deceased) 43207-0809188-9	Late Imdad Ali Soomro (Deceased) 43207-0809188-9	Ghulam Rasool Soomro	581	-	-	581	581	-	581	
19	Muhammad Raziq (D) Mohallah Skar Koi, Danyore Gligit	Muhammad Raziq (D) 71501-6096034-3	Shakoor Ali	516	175	-	691	516	-	516	
20	M/S Malhi Travels House # 82, Block Y New Satellite Town Sargodha	Muhammad Azhar Malhi 38403-5972424-7	Muhammad Saleem	-	431	3,002	3,433	-	863	863	
	Total			29,121	53,711	14,448	97,280	5,957	25,189	31,146	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 190 (2018: 192) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2019.

		2019	2018
		----- Rupees in '000 -----	
ASSETS			
		4,405,856	4,649,968
Cash and balances with treasury banks		5,841	4,319
Balances with other banks		11,419,496	1,417,699
Due from financial institutions	1	19,416,280	23,914,372
Investments	2	33,880,482	26,827,280
Islamic financing and related assets - net	3	174,862	275,435
Fixed assets		861,049	-
Right of use assets (ROUA)		5,888,864	1,998,587
Other assets		76,052,730	59,087,660
Total Assets			
LIABILITIES			
		256,804	228,382
Bills payable		-	-
Due to financial institutions		63,285,896	51,022,121
Deposits and other accounts	4	2,784,801	3,920,506
Due to head office		943,375	-
Lease liability against ROUA		3,767,018	1,065,012
Other liabilities		71,037,894	56,236,021
		5,014,836	2,851,639
NET ASSETS			
REPRESENTED BY			
		2,200,000	2,200,000
Islamic banking fund		775,696	708,789
Surplus / (deficit) on revaluation of assets		2,039,140	(57,150)
Unappropriated / unremitted profit / (loss)	6	5,014,836	2,851,639

The profit and loss account of the Bank's Islamic banking branches for the year ended 2019 is as follows:

		2019	2018
		----- Rupees in '000 -----	
		7,144,877	3,117,907
Profit / return earned	7	(3,284,831)	(1,423,091)
Profit / return expensed	8	3,860,046	1,694,816
Net profit / return			
Other income			
		436,935	285,190
Fee and commission income		105,951	19,466
Foreign exchange income		1,006	39,140
Other income		543,892	343,796
Total other income			
		4,403,938	2,038,612
Total income			
Other expenses			
		(2,440,512)	(2,008,278)
Operating expenses		(2,440,512)	(2,008,278)
Total other expenses			
		1,963,426	30,334
Profit / (loss) before provisions		75,714	(87,484)
Provisions and write offs - net		2,039,140	(57,150)
Profit / (loss) before taxation		-	-
Taxation		2,039,140	(57,150)
Profit / (loss) after taxation			

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
1 Due from Financial Institutions	----- Rupees in '000 -----					
Secured						
Unsecured						
Bai Muajjal Receiveable from State Bank of Pakistan	11,419,496	-	11,419,496	1,417,699	-	1,417,699
	11,419,496	-	11,419,496	1,417,699	-	1,417,699

This represent Bai Muajjal agreement with Government of Pakistan and Statement Bank of Pakistan which carries profit rate 12.78% per annum. (2018: 12.82%)

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
2 Investments by segments:	----- Rupees in '000 -----							
Federal Government Securities:								
- Ijarah Sukuks	2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
	2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
Non Government Debt Securities								
- Listed	4,400,000	-	602,100	5,002,100	600,000	-	5,211	605,211
- Unlisted	12,371,391	(130,807)	194,796	12,435,380	12,996,390	(130,807)	759,694	13,625,277
	16,771,391	(130,807)	796,896	17,437,480	13,596,390	(130,807)	764,905	14,230,488
Total Investments	18,771,391	(130,807)	775,696	19,416,280	23,336,390	(130,807)	708,789	23,914,372

	Note	2019	2018
		----- Rupees in '000 -----	
3 Islamic financing and related assets			
Ijarah	3.1	255,639	436,069
Murabaha	3.2	1,716,542	2,024,071
Musawama		22,243	69,867
Diminishing Musharaka		15,869,641	11,971,073
Istisna		-	525,434
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murabaha, DM, Istasna)		7,180,631	3,580,044
Inventory related to Islamic financing (Istisna)		539,349	-
Gross Islamic financing and related assets		34,084,045	27,106,558
Less: provision against Islamic financings			
- Specific		(203,324)	(278,995)
- General		(239)	(283)
		(203,563)	(279,278)
Islamic financing and related assets - net of provision		33,880,482	26,827,280

3.1 Ijarah

	2019						
	Cost			Depreciation			Book Value as at December 31, 2019
	At January 1, 2019	Additions / (deletions)	As at December 31, 2019	At January 1, 2019	Charge for the year	As at December 31, 2019	
	----- Rupees in '000 -----						
Plant & Machinery	738,959	28,958	449,702	356,592	110,354	178,289	271,413
		(318,215)			(288,657)		
Vehicles	153,536	-	83,185	99,834	50,777	98,959	(15,774)
		(70,351)			(51,652)	-	-
Total	892,495	28,958	532,887	456,426	161,131	277,248	255,639
		(388,566)			(340,309)		

	2018						
	Cost			Accumulated depreciation			Book Value as at December 31, 2018
	As at Jan 01, 2018	Additions / (deletions)	As at December 31, 2018	As at Jan 01, 2018	Charge for the year	As at December 31, 2018	
	----- Rupees in '000 -----						
Plant & Machinery	451,451	287,508	738,959	216,383	140,209	356,592	382,367
Vehicles	78,867	74,669	153,536	6,682	93,152	99,834	53,702
Total	530,318	362,177	892,495	223,065	233,361	456,426	436,069

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

4 Deposits

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	20,455,905	94,851	20,550,756	16,286,985	60,170	16,347,155
Savings deposits	22,671,179	-	22,671,179	26,885,268	-	26,885,268
Term deposits	12,720,085	-	12,720,085	2,608,640	-	2,608,640
	55,847,169	94,851	55,942,020	45,780,893	60,170	45,841,063
Financial Institutions						
Current deposits	815,386	-	815,386	505,685	-	505,685
Savings deposits	3,028,490	-	3,028,490	126,897	-	126,897
Term deposits	3,500,000	-	3,500,000	4,548,476	-	4,548,476
	7,343,876	-	7,343,876	5,181,058	-	5,181,058
	63,191,045	94,851	63,285,896	50,961,951	60,170	51,022,121

4.1 Composition of deposits

	2019	2018
----- Rupees in '000 -----		
- Individuals	28,456,381	23,931,004
- Government / Public Sector Entities	17,564,494	16,962,630
- Banking Companies	7,339,558	5,060,664
- Non-Banking Financial Institutions	4,318	120,394
- Private Sector	9,921,145	4,947,429
	63,285,896	51,022,121

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 31,851 million (2018: Rs. 26,139 million).

5 Charity Fund

	2019	2018
----- Rupees in '000 -----		
Opening Balance	1,059	469
Additions during the period		
Received from customers on account of delayed payment	11,852	1,059
	12,911	1,528
Payments / utilization during the period		
Education	-	469
Health	2,000	-
Closing Balance	10,911	1,059
'Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	1,000	-
Sindh Institute of Urology and Transplantation (SIUT)	1,000	-
	2,000	-

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

2019 2018
 ----- Rupees in '000 -----

6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)

Opening Balance	(57,150)	(228,135)
Add: Islamic Banking profit / (loss) for the period	2,039,140	(57,150)
Less: Transferred / remitted to Head Office	57,150	228,135
Closing Balance	<u>2,039,140</u>	<u>(57,150)</u>

7 Profit/Return Earned of Financing, Investments and Placement

Profit earned on:		
Financing	3,385,613	1,663,027
Investments	2,325,785	1,428,950
Placements	206,344	16,977
Others (Bai Muajjal)	1,227,135	8,953
	<u>7,144,877</u>	<u>3,117,907</u>

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	2,817,622	965,496
Amortisation of lease liability against - ROUA	91,487	-
Others (General Account)	375,722	457,595
	<u>3,284,831</u>	<u>1,423,091</u>

9 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 43 during the year and 29 as at December 31, 2019)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Avenues/sectors of economy/business where Mudaraba based deposits have been deployed.

Sector	2019	2018
	----- Percentage -----	
Fertilizer	2.16%	3.14%
Textile	6.48%	3.40%
Fuel & energy	41.72%	45.13%
Leasing/Mudarbas	0.29%	0.59%
Sugar	5.88%	4.03%
Cement	10.54%	13.67%
Gas	2.57%	3.13%
Financial	4.87%	1.81%
Federal Government	17.43%	19.20%
Others	8.07%	5.89%
Total	100.0%	100.0%

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-19
	Rupees in '000
Mudarib Share	
Gross Distributable Income	4,731,636
Mudarib (Bank) share of profit before Hiba	1,778,374
Mudarib Share in %age	38%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	1,778,374
Hiba from bank's share to depositors	241,201
Hiba from bank's share to depositors in %age	14%

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 11.90% and the profit rate distributed to the depositors is 7.27%.

Consolidated Financial Statements

NATIONAL BANK OF PAKISTAN



National Bank of Pakistan
نیشنل بینک آف پاکستان

**WORLD'S
HIGHEST
ATM
IN PAKISTAN!**



NBP World's Highest ATM, Khunjrab Pass

DIRECTORS' REPORT TO THE SHAREHOLDERS CONSOLIDATED FINANCIAL STATEMENTS

We are pleased to present, on behalf of the Board of Directors, the consolidated financial statements of the Bank and its Subsidiaries for the year ended December 31, 2019.

Consolidated after-tax profit for the year ended December 31, 2019 amounted to PKR 16.65 billion which is 16.9% lower than PKR 20.04 billion for the corresponding year ended December 31, 2018. During this period, our group companies contributed PKR 0.84 billion to the Bank's consolidated profitability for the year. Consolidated assets of the Bank registered 11.7% growth and amounted to PKR 3,132.36 billion as of December 31, 2019 as against PKR 2,803.88 billion as of December 31, 2018. Consolidated Earnings per Share for the year under review amounted to Rs. 7.79 as against Rs. 9.36 for the year 2018.

The consolidated operating results and appropriation of profits is tabulated below:

	(Rs. Million)
Pre-tax profit for the year ended December 31, 2019	28,978
Taxation:	
- Current	13,431
- Prior Year(s)	1,054
- Deferred	(2,154)
	12,331
After-tax profit for year ended December 31, 2019	16,647
Un-appropriated profit brought forward	76,240
Other comprehensive income - net of tax	(2,015)
Non-controlling interest	(65)
Transfer from surplus on revaluation of fixed assets	240
Transfer from loan loss reserves	4,000
Profit available for appropriation	95,047
Appropriation:	
Transfer to statutory reserve	(1,581)
Un-appropriated profit carried forward	93,466
Basic and diluted earnings per share	Rs. 7.79

For and on behalf of the Board of Directors

Arif Usmani
 President & CEO
 Karachi
 Date: February 28, 2020

Imam Bakhsh Baloch
 Director

ڈائریکٹرز کی رپورٹ برائے حصص مالکان مجمع مالیاتی گوشوارے

ہم بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بینک اور اس کے ذیلی اداروں کے مجمع (consolidated) مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

31 دسمبر 2019 کو ختم ہونے والے سال کے لیے مجمع بعد از محصول منافع کی مالیت 16.65 ارب روپے رہی جو 2018 کو ختم ہونے والے سال میں 20.04 ارب روپے کے مقابلے میں 16.9 فیصد کم ہے۔ ہمارے گروپ کی کمپنیوں کی طرف سے سال کے لیے بینک کی مجمع منفعت میں 0.84 ارب روپے کا خالص منافع جمع کرایا گیا۔ بینک کے مجمع اثاثہ جات نے 11.7 فیصد کا اضافہ درج کیا جو 31 دسمبر 2018 میں 2,803.88 ارب روپے کے مقابلے میں 31 دسمبر 2019 کو، 3,132.36 ارب روپے رہے۔ زیر جائزہ سال کے دوران فی شیئر مجمع آمدن سال 2018 کے لیے 9.36 روپے کے مقابلے میں 7.79 روپے رہی۔

مجمع کاروباری نتائج اور منافع جات کا استعمال درج ذیل ہیں:

(ملین روپے)

28,978

31 دسمبر 2019 کو ختم ہونے والے سال کے لیے قبل از محصول منافع

محصول

موجودہ سال

گزشتہ سال

مؤخر شدہ

13,431

1,054

(2,154)

12,331

16,647

31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بعد از محصول منافع

76,240

(2,015)

(65)

240

4,000

95,047

آگے منتقل کیا گیا، غیر استعمال شدہ منافع

دیگر جامع آمدن۔ بعد از محصول

نان کنٹرولنگ انٹریسٹ

فلکسڈ ایسیٹس کے از سر نو تخمینہ پر فاضل سرمائے سے منتقلی

خسارے کے ذخائر سے منتقلی

استعمال کے لیے دستیاب منافع

منافع کا استعمال:

قانونی تقاضے کے لیے منتقلی

آگے منتقل کیا گیا غیر استعمال شدہ منافع

(1,581)

93,466

7.79 روپے

فی حصص بنیادی اور تعدیل شدہ آمدنی

منجانب بورڈ آف ڈائریکٹرز

امام بخش بلوچ

ڈائریکٹر

عارف عثمانی

صدر اور چیف ایگزیکٹو آفیسر

کراچی

تاریخ: 28 فروری، 2020

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, KCHSU
Shahrah-e-Faisal
Karachi 75350, Pakistan

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road
Karachi 75530, Pakistan

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 26.3.3.1 to the Consolidated Financial Statements which explains the contingency in relation to the pension obligations of the Group. Based on the opinion of the legal counsel, the Group is confident about the favorable outcome of this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matters were addressed in our audit
1.	<p>Provision (impairment) of loans and advances</p> <p>As disclosed in note 11 to the consolidated financial statements, gross loans and advances of the Group were Rs. 1,152 billion against which non-performing loans and advances (NPLs) were of Rs. 149 billion. As at December 31, 2019, the Group holds the provision of Rs. 135 billion against NPLs and Rs. 9 billion as general provision against performing loans.</p> <p>The carrying value of loans and advances to customers may be materially misstated, if provision is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Furthermore, the Group is required to make provision, if any, identified by the regulator (SBP).</p> <p>We considered this as a key audit matter as the Group in addition to the following objective criteria also makes significant and subjective judgements and makes assumptions to determine the provision and the timing of recognition of such provision and their impact could be material to the consolidated financial statements.</p>	<p>For selected samples, we:</p> <ul style="list-style-type: none"> Updated our understanding and evaluated design and implementation of relevant controls; evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security / collateral, electronic credit information bureau reports and compliance with Prudential Regulations; evaluated the appropriateness of subjective evaluation made by management for performing parties; ensured that any provision identified by the SBP was recognized; and in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations. <p>In addition to the above, on a sample basis, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures on which we performed the procedures as stated above.</p> <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>
2.	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</p> <p>As disclosed in note 10.1 to the consolidated financial statements, the Group has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as available for sale. As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria.</p> <p>The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.24(c), and For TFCs, checked that listed TFCs which were traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' reports thereon and our review report on Code of Corporate Governance.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As a part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to event: or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Khaliq-ur-Rahman on behalf of Deloitte Yousuf Adil and Grant Thornton Anjum Rahman respectively.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 28, 2020

Consolidated Statement of Financial Position

As at December 31, 2019

2018	2019		Note	2019	2018
----- US Dollars in '000 -----				----- Rupees in '000 -----	
ASSETS					
1,601,041	1,893,462	Cash and balances with treasury banks	7	293,198,090	247,917,421
84,275	87,817	Balances with other banks	8	13,598,325	13,049,725
687,073	930,853	Lendings to financial institutions	9	144,140,344	106,391,667
8,298,317	9,314,991	Investments	10	1,442,403,957	1,284,974,506
5,982,268	6,512,200	Advances	11	1,008,398,612	926,339,789
350,917	354,668	Fixed assets	12	54,919,564	54,338,676
5,534	6,915	Intangible assets	13	1,070,766	856,900
-	48,095	Right of use assets	14	7,447,414	-
1,097,967	1,079,663	Other assets	15	167,183,196	170,017,572
18,107,392	20,228,664			3,132,360,268	2,803,886,256
LIABILITIES					
64,219	128,303	Bills payable	16	19,867,424	9,944,178
2,536,296	3,046,591	Borrowings	17	471,757,352	392,739,396
12,988,981	14,194,501	Deposits and other accounts	18	2,197,984,573	2,011,312,625
782	1,255	Liabilities against assets subject to finance lease	19	194,403	121,077
-	50,575	Lease liability against right of use assets	20	7,831,350	-
44,856	70,194	Deferred tax liabilities	21	10,869,353	6,945,767
1,109,232	1,192,355	Other liabilities	22	184,633,258	171,761,918
16,744,366	18,683,774			2,893,137,713	2,592,824,961
1,363,026	1,544,890	NET ASSETS		239,222,555	211,061,295
REPRESENTED BY					
137,394	137,394	Share capital	23	21,275,131	21,275,131
345,131	343,956	Reserves	24	53,260,789	53,442,643
382,713	454,373	Surplus on revaluation of assets	25	70,358,587	59,262,177
492,352	603,597	Unappropriated profit		93,465,516	76,239,599
1,357,590	1,539,320			238,360,023	210,219,550
5,436	5,570	Non-controlling interest		862,532	841,745
1,363,026	1,544,890			239,222,555	211,061,295
CONTINGENCIES AND COMMITMENTS					
			26		

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2019

2018		2019				2019		2018	
----- US Dollars in '000 -----				Note ----- Rupees in '000 -----					
969,845	1,548,040	Mark-up / return / interest earned	27	239,710,290	150,178,178				
576,611	1,082,073	Mark-up / return / interest expensed	28	167,556,408	89,286,854				
393,234	465,967	Net mark-up / return / interest income		72,153,882	60,891,324				
NON MARK-UP / INTEREST INCOME									
123,502	131,850	Fee and commission income	29	20,416,642	19,123,980				
16,169	20,015	Dividend income		3,099,277	2,503,711				
63,287	40,817	Foreign exchange income		6,320,455	9,799,855				
25,451	13,985	Gain on securities - net	30	2,165,524	3,940,977				
(2,158)	(622)	Share of loss from joint venture - net of tax		(96,336)	(334,149)				
(228)	241	Share of profit / (loss) from associates - net of tax		37,331	(35,359)				
17,278	37,566	Other income	31	5,816,974	2,675,429				
243,301	243,852	Total non-markup / interest income		37,759,867	37,674,444				
636,535	709,819	Total income		109,913,749	98,565,768				
NON MARK-UP / INTEREST EXPENSES									
369,618	434,156	Operating expenses	32	67,228,062	57,234,494				
-	-	Workers welfare fund		-	-				
1,589	972	Other charges	33	150,585	245,997				
371,207	435,128	Total non-markup / interest expenses		67,378,647	57,480,491				
265,328	274,691	Profit before provisions		42,535,102	41,085,277				
72,365	87,551	Provisions and write offs - net	34	13,557,101	11,205,488				
192,963	187,140	PROFIT BEFORE TAXATION		28,978,001	29,879,789				
63,575	79,632	Taxation	35	12,330,809	9,844,489				
129,388	107,508	PROFIT AFTER TAXATION		16,647,192	20,035,300				
Attributable to:									
128,599	107,092	Shareholders of the Bank		16,582,705	19,913,104				
789	416	Non-controlling interest		64,487	122,196				
129,388	107,508			16,647,192	20,035,300				
----- US Dollars -----				----- Rupees -----					
0.06	0.05	Basic earnings per share	36	7.79	9.36				
0.06	0.05	Diluted earnings per share	37	7.79	9.36				

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

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Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

2018 ----- US Dollars in '000 -----	2019		2019 ----- Rupees in '000 -----	2018
129,388	107,508	Profit after taxation for the year	16,647,192	20,035,300
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
10,034	14,448	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	2,237,165	1,553,803
(66,918)	65,249	Movement in surplus on revaluation of investments - net of tax	10,103,678	(10,362,093)
(56,884)	79,697		12,340,843	(8,808,290)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
1,006	(13,015)	Remeasurement (loss) / gain on defined benefit obligations - net of tax	(2,015,359)	155,785
130,850	4,787	Movement in surplus on revaluation of fixed assets - net of tax	741,300	20,261,759
(1,079)	3,171	Movement in surplus on revaluation of non-banking assets - net of tax	490,984	(167,095)
130,777	(5,057)		(783,075)	20,250,449
203,281	182,148	Total comprehensive income	28,204,960	31,477,459
		Total comprehensive income attributable to:		
202,492	181,732	Shareholders of the Bank	28,140,473	31,355,263
789	416	Non-controlling interest	64,487	122,196
203,281	182,148		28,204,960	31,477,459

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

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Consolidated Statement of Changes In Equity

For the year ended December 31, 2019

	Reserves					Surplus on revaluation of assets				Sub Total	Non-Controlling Interest	Total	
	Share capital	Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total				Unappropriated profit
Balances as at December 31, 2017	21,275,131	7,779,628	29,586,362	12,000,000	521,338	49,887,328	25,511,867	24,120,568	49,632,435	58,069,393	178,864,287	811,427	179,675,714
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	19,913,104	19,913,104	122,196	20,035,300
Other comprehensive income - net of tax	-	1,553,803	-	-	-	1,553,803	(10,362,093)	20,094,664	9,732,571	155,785	11,442,159	-	11,442,159
Transfer to statutory reserve	-	-	2,001,512	-	-	2,001,512	-	-	-	(2,001,512)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(102,829)	(102,829)	102,829	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(91,878)	(91,878)
Balance as at December 31, 2018	21,275,131	9,333,431	31,587,874	12,000,000	521,338	53,442,643	15,149,774	44,112,403	59,262,177	76,239,599	210,219,550	841,745	211,061,295
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	16,582,705	16,582,705	64,487	16,647,192
Other comprehensive income - net of tax	-	2,237,165	-	-	-	2,237,165	10,103,678	1,232,284	11,335,962	(2,015,359)	11,557,768	-	11,557,768
Transfer to statutory reserve	-	-	1,580,981	-	-	1,580,981	-	-	-	(1,580,981)	-	-	-
Transfer from loss loan reserve to unappropriated profit	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(239,552)	(239,552)	239,552	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(43,700)	(43,700)
Balance as at December 31, 2019	21,275,131	11,570,596	33,168,855	8,000,000	521,338	53,260,789	25,253,452	45,105,135	70,358,587	93,465,516	238,360,023	862,532	239,222,555

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

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Consolidated Cash Flow Statement

For the year ended December 31, 2019

2018	2019		2019	2018	
-----US Dollars in '000-----			Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES					
192,963	187,140	Profit before taxation		28,978,001	29,879,789
(16,169)	(20,015)	Less: Dividend income		(3,099,277)	(2,503,711)
176,794	167,125			25,878,724	27,376,078
Adjustments:					
15,849	29,426	Depreciation		4,556,537	2,454,182
2,097	2,117	Amortization		327,882	324,680
72,365	87,551	Provision and write-offs	34	13,557,101	11,205,488
(893)	(242)	Gain on sale of fixed assets - net		(37,487)	(138,248)
125	5,033	Finance charges on leased assets		779,389	19,313
142	(244)	Unrealized (gain) / loss on revaluation of investments classified as held-for-trading		(37,826)	22,024
39,154	48,790	Charge for defined benefit plans - net		7,555,006	6,062,970
2,158	622	Share of loss from joint venture - net of tax		96,336	334,149
228	(241)	Share of (profit) / loss from associates - net of tax		(37,331)	35,359
131,225	172,812			26,759,607	20,319,917
308,019	339,937			52,638,331	47,695,995
(Increase) / decrease in operating assets					
(469,982)	(293,506)	Loanings to financial institutions		(45,448,677)	(72,775,554)
3,443,655	749,298	Held-for-trading securities		116,027,034	533,241,763
(1,308,253)	(609,910)	Advances		(94,443,135)	(202,579,778)
428,776	(8,553)	Others assets (excluding advance taxation)		(1,324,368)	66,394,985
2,094,196	(162,671)			(25,189,146)	324,281,417
Increase / (decrease) in operating liabilities					
(20,994)	64,084	Bills payable		9,923,246	(3,250,877)
89,301	495,361	Borrowings from financial institutions		76,705,422	13,828,071
1,835,698	1,205,520	Deposits		186,671,948	284,253,379
(364,841)	41,532	Other liabilities		6,431,150	(56,494,695)
1,539,164	1,806,497			279,731,766	238,335,878
(125)	(5,033)	Financial charges paid		(779,389)	(19,313)
(65,482)	(76,952)	Income tax paid		(11,915,809)	(10,139,762)
(18,069)	(10,444)	Benefits paid		(1,617,201)	(2,797,928)
3,857,703	1,891,334	Net cash flow from operating activities		292,868,552	597,356,287
CASH FLOW FROM INVESTING ACTIVITIES					
(3,517,409)	(717,306)	Net investments in available-for-sale securities		(111,073,149)	(544,662,351)
44,134	(947,841)	Net investments in held-to-maturity securities		(146,770,958)	6,834,009
16,169	20,015	Dividends received		3,099,277	2,503,711
(15,267)	(15,795)	Investments in fixed assets		(2,445,874)	(2,364,112)
2,036	583	Proceeds from sale of fixed assets		90,430	314,984
10,034	14,448	Effect of translation of net investment in foreign branches		2,237,165	1,553,803
(3,460,303)	(1,645,896)	Net cash flow used in investing activities		(254,863,109)	(535,819,956)
CASH FLOW FROM FINANCING ACTIVITIES					
(303)	(422)	Payments of finance lease obligations		(65,294)	(46,879)
-	(13,699)	Payments of lease liability against right of use asset		(2,121,214)	-
(164)	(14)	Dividend paid		(2,200)	(25,319)
(467)	(14,135)	Net cash flow from / (used in) financing activities	38.1	(2,188,708)	(72,198)
396,933	231,303	Increase in cash and cash equivalents		35,816,735	61,464,133
1,081,939	1,478,872	Cash and cash equivalents at beginning of the year		228,999,744	167,535,611
1,478,872	1,710,175	Cash and cash equivalents at end of the year	38	264,816,479	228,999,744

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

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Imam Bakhsh Baloch
Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company			
-	National Bank of Pakistan (the Bank)	Percentage Holding	
		2019	2018
		%	%
Subsidiary Companies			
-	CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
-	CJSC Subsidiary Bank of NBP in Tajikistan	100.00	100.00
-	NBP Exchange Company Limited, Pakistan	100.00	100.00
-	National Bank Modaraba Management Company Limited, Pakistan	100.00	100.00
-	First National Bank Modaraba, Pakistan	30.00	30.00
-	Taurus Securities Limited, Pakistan	58.32	58.32
-	NBP Fund Management Limited, Pakistan	54.00	54.00
-	Cast-N-Link Products Limited (Note 10.15.1)	76.51	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (2018: 1,504) branches in Pakistan and 21 (2018: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikistan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48 Ayni Street, Dushanbe, Republic of Tajikistan.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 19 branches (2018: 15 branches) and 1 booth (2018: Nil).

National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992. The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

First National Bank Modaraba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Alexandra Fund Management Private Limited (a member of Fullerton Fund Management Group, Singapore). NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) of the Companies Act, 2017 and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

As at December 31, 2019 NBP Funds is managing the following funds and discretionary portfolio;

	Type of Fund
- NBP Income Opportunity Fund	Open end Fund
- NBP Islamic Savings Fund	Open end Fund
- NBP Savings Fund	Open end Fund
- NBP Islamic Mahana Amdani Fund	Open end Fund
- NBP Riba Free Savings Fund	Open end Fund
- NBP Financial Sector Income Fund	Open end Fund
- NBP Government Securities Savings Fund	Open end Fund
- NBP Active Allocation Riba Free Savings Fund	Open end Fund
- NBP Islamic Money Market Fund	Open end Fund
- NBP Mahana Amdani Fund	Open end Fund
- NBP Government Securities Liquid Fund	Open end Fund
- NBP Money Market Fund	Open end Fund
- NBP Stock Fund	Open end Fund
- NBP Islamic Stock Fund	Open end Fund
- NBP Islamic Active Allocation Equity Fund	Open end Fund
- NBP Islamic Energy Fund	Open end Fund
- NBP Financial Sector Fund	Open end Fund
- NBP Islamic Sarmaya Izafa Fund	Open end Fund
- NBP Sarmaya Izafa Fund	Open end Fund
- NBP Islamic Regular Income Fund	Open end Fund
- NBP Balanced Fund	Open end Fund
- NBP Islamic Daily Dividend Fund	Open end Fund
- NAFA Islamic Active Allocation Fund-VIII	Open end Fund
- NAFA Islamic Active Allocation Fund-VII	Open end Fund
- NBP Government Securities Plan - I	Open end Fund
- NAFA Islamic Principal Protected Fund-I	Open end Fund
- NAFA Islamic Principal Protected Fund-II	Open end Fund
- NAFA Pension Fund	Open end Fund
- NAFA Islamic Pension Fund	Open end Fund

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	Type of Fund
- NBP Islamic Capital Preservation Plan - V	Open end Fund
- NBP Islamic Capital Preservation Plan - IV	Open end Fund
- NAFA Islamic Principal Preservation Fund	Open end Fund
- NBP Aitemaad Education Plan	Open end Fund
- NBP Aitemaad Wedding Plan	Open end Fund
- NBP Aitemaad Wealth Plan	Open end Fund
- NBP Aitemaad Retirement Plan	Open end Fund

1.2 BASIS OF CONSOLIDATION

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note Annexure-II of these consolidated financial statements.

- 2.2** The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 154.8476 to 1 US Dollar has been used for 2018 and 2019 as it was the prevalent rate as on December 31, 2019.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
 - Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP); and
 - Where the requirements of the Banking Companies Ordinance, 1962, the Companies Acts, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

- 3.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The SECP, through SRO 220(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Group in preparation of these consolidated financial statements. However, Group is required to submit its pro-forma consolidated financial statements based on IFRS-9 to SBP.
- 3.4** The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

3.5 Application of new and revised International Financial Reporting Standards (IFRSs)

3.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2019

The following standards, amendments and interpretations are effective for the year ended December 31, 2019. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures. Effective from accounting period beginning on or after January 01, 2019.
- Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement. Effective from accounting period beginning on or after January 01, 2019.
- IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. Effective from accounting period beginning on or after January 01, 2019.
- During the current period, IFRS 16, Leases, became applicable for the Group. The impact of the adoption of IFRS 16 on the consolidated financial statements is disclosed in note 6.1.

Certain annual improvements have also been made to a number of IFRSs.

3.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3.5.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.5.4 The management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at present value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted are consistent in preparation of these consolidated financial statement with those of the previous financial year except as disclosed in note 6 of the notes to consolidated financial statements.

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts and call money lendings, less call money borrowings and overdrawn nostro accounts.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investment in subsidiaries, associates and joint venture, into held-for-trading, held-to maturity and available-for-sale as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV) or the Stock Exchanges, as the case may be.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying value may exceed the estimated recoverable amount. Provision is made for impairment in value, if any.

5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.5.1 Bai Muajjal

Bai Muajjal transactions represents sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

5.7 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.8 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the Group) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Group to maintain general provision / allowance against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

5.8.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognized in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Group and the customer enter a Musharakah agreement where the Group agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Group creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Group receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Group finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Group to recover the cost plus the agreed profit.

Under Tijarah, the Group purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Group provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Group purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

5.9 Fixed assets and depreciation

5.9.1 Property and equipment

5.9.1.1 Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are disposed.

Notes to the Consolidated Financial Statements

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Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset;
- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account;
- An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year; and
- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

5.9.2 Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

5.9.3 Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, operating fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income in profit and loss account.

5.10 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 13. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

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5.11 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account through statement of comprehensive income and any deficit, if any, arising on revaluation, after adjusting the amount of revaluation surplus outstanding against each asset as at the date of revaluation, is taken to the profit and loss account. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised.

5.12 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

5.13 Taxation

5.13.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

5.13.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries, branches and associates and interest in joint arrangements to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized in surplus on revaluation of assets is charged / credited to such account.

5.14 Employee benefits

5.14.1 Defined benefit plans

The Group operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Group also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

5.14.2 Other employee benefits

Employees' compensated absences

The Group also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

5.14.3 Defined contribution plan

The Group also operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions are made by the Group and employees to the fund in accordance with the fund rules.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5.14.4 Retirement and other benefit obligations

In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

5.15 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and operating fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realized. Unrealized lease income and other fees on classified leases are recognized on a receipt basis.

5.16 Net investment in lease finance

Leases where the Group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.17 Foreign currencies translation

The Group's financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account.

Profit and loss account balances of foreign branches and subsidiaries are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which are credited to other comprehensive income.

Statement of financial position's balances of foreign branches are translated to Pakistani rupees at exchange rate prevailing at statement of financial position date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the consolidated statement of financial position date.

5.18 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5.19 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.20 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

5.21 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Group's financial statements in the year in which these are approved.

5.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2019.

5.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged in business activities (business segment), within a particular economic environment (geographical segment). The Group's chief operating decision maker reviews the results and assesses performance of these segments separately.

During the year the Group changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 44 of these consolidated financial statements.

Business segments

The Group is operating following business lines for monitoring and reporting purpose:

- I. **Branch Banking** consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and commercial customers.
- II. **Corporate & Investment Banking** consists of lending for project finance, trade finance and working capital to corporate customers,
- III. **Treasury** consists of proprietary trading, fixed income, equity, derivatives and foreign exchange business. Also includes credit, lending and funding activities with professional market counterparties.
- IV. **International Financial Institution & Remittance** is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations outside of Pakistan.
- V. **Aitemaad and Islamic Banking**; for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business segment.
- VI. **Head Office / Others** includes corporate items and business results not shown separately in one of the above segment.

Geographical segments

The Group is operating following geographic lines for monitoring and reporting purpose:

- I. Pakistan
- II. Asia Pacific (including South Asia)
- III. Europe
- IV. United States of America
- V. Middle East

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5.24 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates, judgments and associated assumptions used in the preparation of these consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these consolidated financial statements are as follows:

a) Provision against non-performing advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Group also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Group has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Group has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments till maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The Group also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 40. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

i) Determination of control over investees

The Group's management applies its judgement to determine whether the control exists over the investee entities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

6. CHANGE IN ACCOUNTING POLICY

6.1 The Group has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average lessee's incremental borrowing rate applied by Group to the lease liabilities range from 4.1% to 15.13%. For the foreign agreement, the Group has applied incremental rate of borrowing of 6.54%.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees, if any.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

The effect of this change in accounting policy is as follows:

	December 31, 2019	January 1, 2019
	----- Rupees in '000 -----	
Impact on consolidated statement of financial position		
Increase in fixed assets - right-of-use assets	7,447,414	8,192,029
Decrease in other assets - advances, deposits, advance rent and other prepayments	(154,681)	(282,586)
Increase in total assets	7,292,733	7,909,443
Increase in other liabilities - lease liability against right-of-use assets	(7,831,350)	(7,909,443)
(Decrease) in exchange translation reserves	124,469	-
Decrease in net assets	(414,148)	-
Impact on consolidated profit and loss account		
		January - December 2019
		Rupees in '000
Increase in mark-up expense - lease liability against right-of-use assets		(734,741)
(Increase) / decrease in administrative expenses:		
- Depreciation on right-of-use assets		(1,939,932)
- Rent expense		1,997,279
Decrease in profit before tax		(677,394)
Decrease in tax		263,246
Decrease in profit after tax		(414,148)

- 6.2 IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the consolidated financial statements of the Group.

7. CASH AND BALANCES WITH TREASURY BANKS

	2019	2018
Note	----- Rupees in '000 -----	
In hand		
Local currency	48,684,542	39,696,873
Foreign currency	4,984,290	4,661,530
	53,668,832	44,358,403
With State Bank of Pakistan in		
Local currency current accounts	7.1 168,479,311	130,186,419
Foreign currency current accounts	7.2 9,116,381	7,029,780
Foreign currency deposit accounts	7.2 27,850,977	21,240,971
Foreign currency collection accounts	1,473,861	1,812,339
	206,920,530	160,269,509
With other central banks in		
Foreign currency current accounts	7.3 25,994,672	41,438,832
Foreign currency deposit accounts	7.3 4,865,977	1,455,866
	30,860,649	42,894,698
Prize bonds	1,748,079	394,812
	293,198,090	247,917,421

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

- 7.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 7.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.3** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 2.17% per annum (2018: 0% to 0.75% per annum).

2019 **2018**
Note ----- **Rupees in '000** -----

8. BALANCES WITH OTHER BANKS

In Pakistan

In current accounts
In deposit accounts

	10,446	25,813
8.1	178,710	155,631
	189,156	181,444

Outside Pakistan

In current accounts
In deposit accounts

	6,670,289	7,107,914
8.2	6,738,880	5,760,367
	13,409,169	12,868,281
	13,598,325	13,049,725

- 8.1** These include various deposits with banks and carry interest at rates ranging from 2.5% to 11.25% per annum (2018: 4% to 9.25% per annum).
- 8.2** These include various deposits with correspondent banks and carry interest at rates ranging from 0% to 2.17% per annum (2018: 0% to 2.16% per annum).

2019 **2018**
Note ----- **Rupees in '000** -----

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings

Repurchase agreement lendings (Reverse Repo)

Bai Muajjal receivable with State Bank of Pakistan

Letters of placement

9.1	540,800	8,240,800
9.2	132,180,048	96,733,168
9.3	11,419,496	1,417,699
9.4	176,150	176,150
9.5	144,316,494	106,567,817

Less: provision held against lendings to financial institutions

9.6	(176,150)	(176,150)
-----	------------------	-----------

Lendings to financial institutions - net of provision

	144,140,344	106,391,667
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- 9.1** This includes zero rate lendings to a financial institution Rs. 40.8 million (2018: Rs. 40.8 million) which is guaranteed by the SBP.
- 9.2** These carry mark-up at rates ranging from 13.00% to 13.58% per annum (2018: 8.45% to 10.41% per annum) with maturities ranging from January 2, 2020 to January 17, 2020.
- 9.3** This represents Bai Muajjal agreement entered into with SBP and carries mark-up average rate of 12.57% (2018: 6.33%) per annum.
- 9.4** These are overdue placements and full provision has been made against these placements as at December 31, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
9.5 Particulars of lending		
In local currency	144,316,494	106,567,817
In foreign currencies	-	-
	144,316,494	106,567,817
9.6 Movement in provision held against lendings is as follows:		
Opening balance	176,150	176,150
Charge for the year	-	-
Closing balance	176,150	176,150

9.7 Securities held as collateral against lending to financial institutions	2019			2018		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	124,080,048	-	124,080,048	70,283,168	-	70,283,168
Pakistan Investment Bonds	8,100,000	-	8,100,000	26,450,000	-	26,450,000
Total	132,180,048	-	132,180,048	96,733,168	-	96,733,168

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 132,453 million (2018: Rs. 95,739 million).

9.8 Category of classification	2019		2018	
	Classified Lending	Provision held	Classified Lending	Provision held
	----- Rupees in '000 -----			
Domestic				
Loss	176,150	176,150	176,150	176,150
Total	176,150	176,150	176,150	176,150

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10. INVESTMENTS	2019					2018				
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value		
10.1 Investments by type:	----- Rupees in '000 -----									
Held-for-trading securities										
Market Treasury Bills	27,007,755	-	(24,649)	26,983,106	149,885,647	-	(973)	149,884,674		
Pakistan Investment Bonds	9,116,239	-	15,695	9,131,934	2,333,574	-	(67)	2,333,507		
Ijarah Sukuks	71,299	-	-	71,299	-	-	-	-		
Ordinary shares of listed companies	178,596	-	(2,042)	176,554	158,277	-	197	158,474		
Investment in mutual funds	138,305	-	48,822	187,127	404,747	-	(21,181)	383,566		
Foreign Government Securities	1,154,220	-	-	1,154,220	971,052	-	-	971,052		
	37,666,414	-	37,826	37,704,240	153,753,297	-	(22,024)	153,731,273		
Available-for-sale securities										
Market Treasury Bills	593,936,881	-	967,544	594,904,425	592,215,863	-	(28,707)	592,187,156		
Pakistan Investment Bonds	322,248,605	-	(1,961,853)	320,286,752	207,581,489	-	(12,318,101)	195,263,388		
Ijarah Sukuks	2,000,000	-	(21,200)	1,978,800	9,789,374	-	(56,116)	9,733,258		
Ordinary shares of listed companies	29,062,226	(5,723,164)	18,467,531	41,806,593	26,042,551	(3,978,334)	17,017,036	39,081,253		
Ordinary shares of unlisted companies	2,101,182	(507,573)	-	1,593,609	2,005,182	(410,893)	-	1,594,289		
Preference shares	570,214	(490,826)	-	79,388	570,535	(433,444)	(11,155)	125,936		
Term Finance Certificates / Musharika and Sukuk Bonds	60,253,886	(4,942,505)	941,278	56,252,659	58,787,773	(4,761,669)	2,264,936	56,291,040		
GoP Foreign Currency Bonds	21,138,771	-	1,337,759	22,476,530	25,462,626	-	(915,692)	24,946,934		
Foreign Government Securities	3,474,324	-	17,527	3,491,851	968,567	-	(148,117)	820,450		
Foreign Currency Debt Securities	1,408,492	-	13,779	1,422,271	1,551,903	-	(94,342)	1,457,561		
Investments in mutual funds	674,078	(41,167)	1,324,745	1,957,656	819,646	(40,642)	1,248,405	2,027,408		
Ordinary shares of a bank outside Pakistan	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284		
	1,037,331,953	(11,705,235)	39,455,572	1,065,082,290	925,258,804	(9,624,982)	22,929,135	939,562,957		
Held-to-maturity securities										
Market Treasury Bills	114,155,009	-	-	114,155,009	69,967	-	-	69,967		
Pakistan Investment Bonds	184,864,103	-	-	184,864,103	157,492,035	-	-	157,492,035		
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	416,707	(407,134)	-	9,573	696,956	(412,384)	-	284,572		
GoP Foreign Currency Bonds	4,087,591	-	-	4,087,591	2,859,233	-	-	2,859,233		
Foreign Government Securities	30,231,741	-	-	30,231,741	25,866,066	-	-	25,866,066		
Foreign Currency Debt Securities	596	-	-	596	532	-	-	532		
	333,755,747	(407,134)	-	333,348,613	186,984,789	(412,384)	-	186,572,405		
Associates	1,223,080	(782,251)	-	440,829	1,190,599	(626,069)	-	564,531		
Joint Venture	5,827,985	-	-	5,827,985	4,543,339	-	-	4,543,339		
Subsidiaries	1,245	(1,245)	-	-	1,245	(1,245)	-	-		
Total Investments	1,415,806,424	(12,895,866)	39,493,398	1,442,403,957	1,272,732,074	(10,664,680)	22,907,111	1,284,974,506		

Note

10.13/10.14

10.7

10.9/10.10

10.12

10.15

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Investments by segments:	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
10.2 Investments by segments:								
Federal Government Securities:								
Market Treasury Bills	735,099,645	-	942,895	736,042,540	742,171,477	-	(29,680)	742,141,797
Pakistan Investment Bonds	516,228,947	-	(1,946,158)	514,282,789	367,407,098	-	(12,318,168)	355,088,930
Ijarah Sukuks	2,071,299	-	(21,200)	2,050,099	9,789,374	-	(56,116)	9,733,258
	1,253,399,891	-	(1,024,463)	1,252,375,428	1,119,367,949	-	(12,403,964)	1,106,963,985
Shares								
Listed Companies	29,240,822	(5,723,164)	18,465,489	41,983,147	26,200,828	(3,978,334)	17,017,233	39,239,727
Unlisted Companies	2,101,182	(507,573)	-	1,593,609	2,005,182	(410,893)	-	1,594,289
	31,342,004	(6,230,737)	18,465,489	43,576,756	28,206,010	(4,389,227)	17,017,233	40,834,016
Non Government Debt Securities								
Listed	22,471,459	(971,908)	405,860	21,905,411	16,143,890	(971,906)	-	15,171,984
Unlisted	38,199,134	(4,377,731)	535,418	34,356,821	43,340,839	(4,202,147)	2,264,936	41,403,628
	60,670,593	(5,349,640)	941,278	56,262,232	59,484,729	(5,174,053)	2,264,936	56,575,612
Foreign Securities								
GoP Foreign Currency Bonds	25,226,362	-	1,337,759	26,564,121	28,321,859	-	(515,692)	27,806,167
Foreign Government Securities	34,860,285	-	17,527	34,877,812	27,805,685	-	(148,117)	27,657,568
Foreign Currency Debt Securities	1,409,088	-	13,779	1,422,867	1,552,435	-	(94,342)	1,458,093
	61,495,735	-	1,369,065	62,864,800	57,679,979	-	(758,151)	56,921,828
Preference shares	570,214	(490,826)	-	79,388	570,535	(433,444)	(11,155)	125,936
Investments in mutual funds	812,383	(41,167)	1,373,567	2,144,783	1,224,393	(40,642)	1,227,224	2,410,974
Ordinary shares of a bank outside Pakistan	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284

Note

10.13/10.14

10.7

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019			2018				
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
Associates								
-Listed								
First Credit and Investment Bank Limited	208,089	(106,429)	-	101,660	208,760	(106,429)	-	102,331
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-
SG Allied Businesses Limited	218,534	(218,534)	-	-	218,534	(218,534)	-	-
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
AgriTech Limited	-	-	-	-	-	-	-	-
NBP Stock Fund	467,163	(156,183)	-	310,980	434,010	-	-	434,010
	982,556	(569,916)	-	412,640	950,074	(413,733)	-	536,341
-Unlisted								
Pakistan Emerging Venture Limited	50,565	(50,565)	-	-	50,565	(50,565)	-	-
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Assets Insurance Company Limited	44,815	(16,627)	-	28,188	44,815	(16,627)	-	28,188
Dadabhoj Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
	240,524	(212,336)	-	28,188	240,524	(212,336)	-	28,188
	1,223,080	(782,251)	-	440,829	1,190,599	(626,069)	-	564,531
Joint Venture								
United National Bank Limited	5,827,985	-	-	5,827,985	4,543,339	-	-	4,543,339
Subsidiaries								
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments	1,415,806,424	(12,895,866)	39,493,398	1,442,403,957	1,272,732,074	(10,664,680)	22,907,111	1,284,974,506

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10.2.1 Investments given as collateral

	2019	2018
	Rupees in '000	
Pakistan Investment Bonds	4,150,000	9,500,000
Market Treasury Bills	360,000,000	274,350,000
	364,150,000	283,850,000

Pakistan Investment Bonds
Market Treasury Bills

10.2.2 Associates

Listed

	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2019	1,385,301	666,708	116,844	9,517	(3,658)
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2019	192,322	244,272	-	(2,042)	10,359
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2019	553,295	420,585	4,624	(16,307)	(4,179)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
AgriTech Limited	106,014,565	27.01	Pakistan	December 31, 2018	46,209,442	51,097,983	4,533,316	(3,343,673)	(3,343,799)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2019	12,122,129	226,870	(2,380,792)	(2,848,721)	(2,848,721)

Unlisted

Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345	-	(445)	(445)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A*	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2018	635,639	5,670	39,357	8,589	8,722
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoj Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2019	2,965,814	2,956,654	318,976	52,347	52,347
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10.2.3 Joint Venture	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
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United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,276,425	88,290,229	2,217,629	(214,079)	1,614,231
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10.2.4 Subsidiaries

Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-
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* Not available

10.3 Provision for diminution in value of investments

Opening balance	10,664,680	10,521,310
Charge / reversals	2,615,328	1,514,109
Charge for the year	(384,142)	(1,370,739)
Reversals for the year	2,231,186	143,370
Closing Balance	12,895,866	10,664,680

10.3.1 Particulars of provision against debt securities

Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
Domestic	----- Rupees in '000 -----			
Doubtful	426,170	213,086	-	-
Loss	5,145,314	5,136,554	5,182,817	5,174,053
Total	5,571,484	5,349,640	5,182,817	5,174,053

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10.4 Movement Schedule for Associates and Joint Venture

	2019								
	Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus (deficit) on revaluation properties	Surplus (deficit) on revaluation securities	Closing balance
	----- Rupees in '000 -----								
Joint Venture									
United National Bank Limited	4,543,339	-	-	-	(96,336)	537,644	118,429	724,909	5,827,985
	4,543,339	-	-	-	(96,336)	537,644	118,429	724,909	5,827,985
Associates									
Unlisted									
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815
Dadabhoj Energy Supply Company	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539
Listed									
First Credit and Investment Bank Limited	208,760	-	-	(6,000)	4,178	-	-	1,149	208,089
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
SG Allied Businesses Limited	218,534	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agriotech Limited	-	-	-	-	-	-	-	-	-
NBP Stock Fund	434,010	-	-	-	33,153	-	-	-	467,163
	1,190,599	-	-	(6,000)	37,331	-	-	1,149	1,223,080

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		2018								
		Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange Translation Reserve	Surplus (deficit) on Revaluation Properties	Surplus (deficit) on Revaluation Securities	Closing Balance
-----Rupees in '000-----										
Joint Venture										
	United National Bank Limited	4,966,604	-	-	-	(334,149)	563,057	-	(652,174)	4,543,339
		4,966,604	-	-	-	(334,149)	563,057	-	(652,174)	4,543,339
Associates										
Unlisted										
	Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-
	National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
	National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815
	Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
	Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539
Listed										
	First Credit and Investment Bank Limited	205,974	-	-	-	3,915	-	-	(1,130)	208,760
	Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
	SG Allied Businesses Limited	218,534	-	-	-	-	-	-	-	218,534
	Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
	Agritech Limited	-	-	-	-	-	-	-	-	-
	NBP Stock Fund	473,284	-	-	-	(39,274)	-	-	-	434,010
		1,227,086	-	-	-	(35,359)	-	-	(1,130)	1,190,599

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10.5 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows

	2019	2018		
	----- Rupees in '000 -----			
Federal government securities - government guaranteed				
Market Treasury Bills	593,936,881	592,215,863		
Pakistan Investment Bonds	322,248,605	207,581,489		
Ijarah Sukuks	2,000,000	9,789,374		
Cost	918,185,486	809,586,726		
Shares				
Listed companies sector-wise				
Automobile Assembler	212,858	78,753		
Automobile Parts & Accessories	757,309	848,644		
Cable and Electrical Goods	249,604	235,374		
Cement	2,876,794	1,976,437		
Chemical	261,598	297,650		
Commercial Banks	2,874,502	2,915,297		
Engineering	670,867	680,678		
Fertilizer	1,539,023	1,716,509		
Food and Personal Care	1,359,655	1,347,825		
Glass and Ceramics	73,016	73,016		
Insurance	980,165	1,015,885		
Investment Banks / Investment companies / Securities companies	378,282	223,376		
Leasing Companies	21,891	21,891		
Leather and Tanneries	189,470	215,712		
Modarabas	120	120		
Oil and Gas Exploration Companies	2,357,129	520,332		
Oil and Gas Marketing Companies	5,799,864	5,794,620		
Paper and Board	172,695	299,373		
Pharmaceuticals	361,833	465,244		
Power Generation and Distribution	2,778,748	2,791,685		
Real Estate Investment Trust	586,526	583,581		
Refinery	1,253,494	1,253,494		
Sugar and Allied Industries	288,527	288,527		
Synthetic and Rayon	91,980	91,980		
Technology and Communication	993,620	950,961		
Textile Composite	1,242,681	690,218		
Textile Spinning	485,713	514,186		
Textile Weaving	25,854	-		
Transport	32,385	32,385		
Vanaspati and Allied Industries	58,890	31,665		
Woollen	647	647		
Miscellaneous	86,486	86,486		
	29,062,226	26,042,551		
Unlisted companies				
	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	----- Rupees in '000 -----			
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	4,784	324,651	4,784	331,931
Gelcaps Pakistan Limited	4,665	9,801	4,665	25,340
Pakistan Agriculture Storage Service Corporation	5,500	109,831	5,500	109,831

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019		2018	
	Cost	Breakup value	Cost	Breakup value
----- Rupees in '000 -----				
Al Ameen Textile	327	N/A*	327	N/A
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	121	N/A	121	N/A
Arabian Sea Country Club	6,500	N/A	6,500	N/A
Atlas Power Limited	375,000	1,130,503	375,000	822,501
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	235,200	140,743	235,200	128,556
Pakistan Mortgage Refinance Company Limited	600,000	608,951	600,000	400,950
F.T.C. Management Company Private Limited	250	36,908	250	34,657
Fauji Akbar Portia Marines Terminal Limited	321,076	515,937	321,076	171,350
Fauji Oil Terminals and Distribution Limited	10,886	69,747	10,886	45,199
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,408	5,000	8,975
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	43,979	30,346	36,058
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	71,187	1,526	71,187
National Investment Trust Limited	100	832,931	100	1,796
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	24,983	100	24,983
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Rishabh Metals & Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,269,793	132,888	1,175,636
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Ind.	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A

* Not available

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019		2018	
	Cost	Breakup value	Cost	Breakup value
----- Rupees in '000 -----				
Zulsham Engineering Works Limited	330	N/A*	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Guarantee) Ltd	50,000	147,332	50,000	N/A
Pakistan Corporate Restructuring Co. Ltd	96,000	N/A	-	-
	2,101,182		2,005,182	

Debt Securities	2019	2018
	----- Rupees in '000 -----	
Listed		
- AAA	1,547,830	1,897,847
- AA+, AA, AA-	7,739,909	4,472,877
- A+, A, A-	299,880	419,073
- Unrated	12,855,892	9,326,145
Cost	22,443,511	16,115,942
Unlisted		
- AAA	23,554,109	5,805,117
- AA+, AA, AA-	801,000	-
- A+, A, A-	500,000	495,299
- Unrated	12,955,266	36,371,414
Cost	37,810,375	42,671,830

Foreign Securities

Government Securities	2019		2018	
	Cost	Rating	Cost	Rating
----- Rupees in '000 -----				
USA	3,474,324	AA+	968,567	AA+

Non Government Debt Securities	2019	2018
	----- Rupees in '000 -----	
Cost		
Listed		
- A2 / BBB+	1,408,492	1,551,903

* Not available

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019		2018	
	----- Rupees in '000 -----			
10.6 Particulars relating to Held to Maturity securities are as follows:				
Federal Government Securities - Government guaranteed				
Market Treasury Bills	114,155,009		69,967	
Pakistan Investment Bonds	184,864,103		157,492,035	
	299,019,112		157,562,002	
Debt securities				
Listed				
- AA+, AA, AA-				
		27,948		27,948
Unlisted				
- A+, A, A-				100,000
- Unrated		388,759		569,008
		388,759		669,008
Foreign Securities				
	2019		2018	
	Cost	Rating	Cost	Rating
	----- Rupees in '000 -----			
Government Securities				
Azerbaijan	484,683	BB+	568,321	BB+
Bangladesh	24,741,528	BB-	22,116,609	BB-
Kyrgyzstan	1,400,585	B2	1,115,602	B2
Kingdom of Saudi Arabia	2,302,369	A+	2,065,534	A+
Korea	671,179	AA	-	-
Tajikistan	631,397	Unrated	-	-
	30,231,741		25,866,066	
Non Government Debt Securities				
Listed				
- Unrated			596	532

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 328,496 million (2018: Rs. 172,378 million).

10.7 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2018: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2018: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.8 The 94,273,510 (2018: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2019 amounted to Rs. 4.23 per share resulting in an impairment of Rs. 3,217 million (2018: Rs. 3,167 million) which has been fully recorded in these consolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

- 10.9** Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,014 million (2018: Rs. 1,267 million).
- 10.10** Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.
- 10.11** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
National Assets Insurance Limited	December 31, 2018	56,464
Pakistan Emerging Venture Limited	June 30, 2018	341
Pakistan Mercantile Exchange Limited	June 30, 2019	3,112

10.12 Investment in joint venture	Note	2019	2018
		----- Rupees in '000 -----	
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	<u>5,827,985</u>	<u>4,543,339</u>

- 10.12.1** Under a joint venture agreement, the Group holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Group and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Group or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Group or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

- 10.13** The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2018: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

- 10.14** The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2019 amounts to Rs. 8,741 million. These shares can not be sold without concurrence of privatization commission.

10.15 Investments in subsidiaries	2019	2018
	----- Rupees in '000 -----	
Cast-N-Link Products Limited	<u>1,245</u>	1,245
Less: provision for diminution in value of investments	<u>(1,245)</u>	(1,245)
	<u>-</u>	-

- 10.15.1** The financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-103 dated November 18, 2019, has not acceded the Bank's request from the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2019 and further directed to comply with the requirement of section 228 of the Act. However the Bank, based on the fact that investment of the Group in CNL is not material and comprise of 0.000040% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	Performing		Non Performing		Total
	2019	2018	2019	2018	
	----- Rupees in '000 -----				
Loans, cash credits, running finances, etc.	936,301,542	879,848,642	142,383,652	128,064,393	1,078,685,194
Islamic financing and related assets	33,880,111	26,741,733	203,934	364,825	34,084,045
Net Investment in finance lease	71,576	80,543	28,944	53,048	100,520
Bills discounted and purchased	32,463,246	19,294,694	6,760,524	6,068,698	39,223,770
Advances - gross	1,002,716,475	925,965,612	149,377,054	134,550,963	1,152,093,529
Provision against advances	-	-	134,688,966	126,969,680	134,688,966
- Specific	9,005,951	7,207,106	-	-	9,005,951
- General	9,005,951	7,207,106	134,688,966	126,969,680	143,694,917
Advances - net of provision	993,710,524	918,758,506	14,688,088	7,581,283	1,008,398,612
	----- Rupees in '000 -----				

Note

Loans, cash credits, running finances, etc.

Islamic financing and related assets

Net Investment in finance lease

Bills discounted and purchased

Advances - gross

Provision against advances

- Specific

- General

Advances - net of provision

11.1 Net Investment in Finance Lease

	2019		2018		
	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years
	----- Rupees in '000 -----				
Lease rentals receivable	62,474	10,434	72,908	79,987	27,840
Residual value	47,934	9,617	57,551	43,479	16,477
Minimum lease payments	110,408	20,051	130,459	123,465	44,317
Financial charges for future periods	29,146	793	29,939	31,680	2,510
Present value of minimum lease payments	81,262	19,258	100,520	91,785	41,807
	----- Rupees in '000 -----				
			100,520	-	107,826
			57,551	-	59,956
			130,459	-	167,782
			29,939	-	34,190
			100,520	-	133,591

Notes to the Consolidated Financial Statements

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The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time disbursement. The group requires the lessee to insure the leased assets in favour of the group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 19.46% (2018: 10.19% to 14.47%) per annum.

	2019	2018
	----- Rupees in '000 -----	
11.2 Particulars of advances (Gross)		
In local currency	1,052,162,269	969,830,010
In foreign currencies	99,931,260	90,686,565
	1,152,093,529	1,060,516,575

11.3 Advances include Rs. 149,377 million (2018: Rs. 134,551 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	1,299,042	78,430	1,281,567	64,543
Substandard	10,292,449	2,550,709	3,783,451	923,008
Doubtful	6,489,076	3,207,031	1,448,149	689,033
Loss	89,852,808	88,647,897	88,113,131	86,856,965
	107,933,375	94,484,067	94,626,299	88,533,549
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
181 to 365 days	-	-	733,217	355,579
> 365 days	41,443,678	40,204,898	39,191,446	38,080,551
	41,443,678	40,204,898	39,924,663	38,436,130
Total	149,377,054	134,688,966	134,550,963	126,969,680

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

11.4 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
Note ----- Rupees in '000 -----						
Opening balance	126,969,680	7,207,106	134,176,786	111,347,775	6,515,068	117,862,843
Exchange adjustments	3,813,805	28,732	3,842,537	7,701,151	111,207	7,812,358
Charge for the year	11,501,956	2,018,117	13,520,073	14,178,781	1,330,247	15,509,029
Reversals	(4,730,294)	(248,004)	(4,978,298)	(5,987,047)	(749,416)	(6,736,463)
	6,771,662	1,770,113	8,541,775	8,191,734	580,831	8,772,565
Amounts written off 11.5	(33,004)	-	(33,004)	(12,118)	-	(12,118)
Amounts charged off - agriculture financing 11.4.1.3	(232,480)	-	(232,480)	(261,281)	-	(261,281)
Amount charged off international branches	(1,776,734)	-	(1,776,734)	-	-	-
Amount charged off international subsidiaries	(91,274)	-	(91,274)	-	-	-
Other adjustments	(220,744)	-	(220,744)	2,419	-	2,419
Other movement	(511,946)	-	(511,946)	-	-	-
Closing balance	134,688,966	9,005,951	143,694,917	126,969,680	7,207,106	134,176,786

11.4.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	94,792,396	8,550,136	103,342,532	88,533,549	6,949,252	95,482,801
In foreign currencies	39,896,570	455,815	40,352,385	38,436,131	257,851	38,693,982
	134,688,966	9,005,951	143,694,917	126,969,680	7,207,106	134,176,786

11.4.1.1 The Group maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Group has also maintained general provision of Rs. 2,500 million (2018: Rs. 2,500 million) in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019.

11.4.1.3 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018
11.5 Particulars of write-offs			
11.5.1 Against provisions	11.5.2	33,004	12,118
11.5.2 Write-offs of Rs. 500,000 and above			
- Domestic	11.6	5,957	1,835
Write-offs of below Rs. 500,000		27,047	10,283
		33,004	12,118

11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-I.(except where such disclosure is restricted by overseas regulatory authorities).

	Note	2019 ----- Rupees in '000 -----	2018
12. FIXED ASSETS			
Capital work-in-progress	12.1	2,162,985	1,934,605
Property and equipment	12.2	52,756,579	52,404,071
		54,919,564	54,338,676
12.1 Capital work-in-progress			
Civil works		2,001,776	1,863,208
Equipment		15,446	15,884
Advances to suppliers and contractors		58,372	55,513
License and implementation fee for core banking software		40,491	-
Software		46,900	-
		2,162,985	1,934,605

Notes to the Consolidated Financial Statements

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12.2 Property and equipment

		2019												
		Rupees in '000												
		Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
At January 1, 2019														
	Cost / revalued amount	20,108,882	18,684,751	6,467,259	3,966,370	5,237,005	4,098,782	5,193,669	1,291,719	320,066	10,578	100,040	309,717	65,788,836
	Accumulated depreciation	-	-	(662,736)	(564,104)	(3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(199,608)	(1,413)	(40,566)	(275,974)	(13,384,765)
	Net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
Year ended December 2019														
	Opening net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
	Additions	-	-	-	53,360	719,081	126,613	609,719	132,091	138,620	-	-	-	1,779,484
	Movement in surplus on assets revalued	-	566,789	-	86,281	-	-	-	-	-	-	-	-	653,070
	Disposals - cost	-	-	-	-	(16,371)	(5,439)	(7,160)	(142,479)	(36,420)	(950)	(2,779)	(8,338)	(219,936)
	Depreciation charge	-	-	(286,590)	(174,792)	(687,820)	(312,550)	(577,403)	(341,028)	(35,648)	(1,037)	(2,979)	(6,049)	(2,425,896)
	Depreciation adjustment - disposal	-	-	-	-	13,644	4,953	6,001	115,602	17,040	928	2,325	6,500	166,993
	Exchange rate adjustments	-	-	-	12,204	19,719	24,013	21,177	1,444	-	-	-	-	78,557
	Other adjustments / transfers - cost	-	111,330	-	206,943	(120)	2,197	4,137	32,344	(32,091)	-	-	-	324,740
	Other adjustments / transfers - depreciation	-	-	-	(4)	163	(1,270)	(3,269)	(19,008)	17,882	-	-	-	(4,506)
	Closing net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,017	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
At December 31, 2019														
	Cost / revalued amount	20,108,882	19,362,870	6,467,259	4,325,158	5,959,314	4,246,166	5,821,542	1,315,119	390,175	9,628	97,261	301,379	68,404,753
	Accumulated depreciation	-	-	(949,326)	(738,900)	(4,069,050)	(4,073,149)	(4,588,702)	(710,448)	(200,334)	(1,522)	(41,220)	(275,523)	(15,648,174)
	Net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,017	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
	Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on value	25% to 33% on cost	20% on book value	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2018													
Rupees in '000													
	Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
At January 1, 2018													
Cost / revalued amount	11,209,212	10,380,661	3,088,553	2,924,333	4,455,020	3,790,289	4,606,682	1,180,618	250,271	950	259,577	492,614	42,588,779
Accumulated depreciation	-	-	(555,423)	(467,128)	(2,781,536)	(3,326,294)	(3,498,396)	(333,163)	(204,088)	(821)	(174,502)	(399,319)	(11,740,670)
Net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Year ended December 2018													
Opening net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Additions	-	-	4,307	23,514	790,005	313,945	602,224	380,150	101,529	9,628	-	-	2,225,302
Movement in surplus on assets revalued	8,917,543	8,304,090	3,425,617	939,428	-	-	-	-	-	-	-	-	21,586,678
Disposals - cost	(17,874)	-	(1,218)	(1,107)	(8,401)	(5,656)	(15,809)	(269,493)	(31,734)	-	(78,384)	(182,897)	(612,573)
Depreciation charge	-	-	(107,313)	(97,852)	(620,252)	(443,035)	(520,762)	(324,143)	(18,407)	(592)	(8,562)	(19,792)	(2,160,709)
Depreciation adjustment - disposal	-	-	-	876	6,867	5,212	5,035	190,479	22,887	-	61,344	143,137	435,837
Exchange rate adjustments	-	-	-	80,203	-	-	-	-	-	-	-	-	80,203
Other adjustments / transfers - cost	-	-	-	-	380	204	573	443	-	-	(81,153)	-	(79,553)
Other adjustments / transfers - depreciation	-	-	-	-	(117)	(166)	92	(187)	-	-	81,154	-	80,776
Closing net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
At December 31, 2018													
Cost / revalued amount	20,108,882	18,684,751	6,467,259	3,966,370	5,237,005	4,098,782	5,193,669	1,291,719	320,066	10,578	100,040	309,717	65,788,836
Accumulated depreciation	-	-	(662,736)	(564,104)	(3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(199,608)	(1,413)	(40,566)	(275,974)	(13,384,765)
Net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	

During the year ended December 31, 2019, land and building were revalued. The basis of revaluations were desk scope valuations and were carried by RBS Associates (Pvt) Limited (PBA registered valuer) resulting in surplus of Rs. 653 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

12.3 Details of disposal of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Purchaser Name
-----Rupees in '000-----							
Office Equipment	90	56	56	-	As per entitlement	Ex-Employee	Zahid Mahmood Chaudry
Office Equipment	35	35	35	-	As per entitlement	Ex-Employee	Waseem Akhtar Khan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	38	38	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Office Equipment	50	33	33	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	31	31	-	As per entitlement	Ex-Employee	Jawed Anwar Khan
Office Equipment	128	58	58	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	145	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	286	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	93	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	74	9	9	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	95	28	28	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	50	25	25	-	As per entitlement	Ex-Employee	Basharat Ali
Office Equipment	50	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Office Equipment	15	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	<u>1,240</u>	<u>345</u>	<u>345</u>	<u>-</u>			
Electrical Installations	720	120	120	-	As per entitlement	Ex-Employee	Mudassir Husain Khan
Electrical Installations	800	693	693	-	As per entitlement	Ex-Employee	Qamar Hussain
	<u>1,520</u>	<u>813</u>	<u>813</u>	<u>-</u>			
Computer Equipment	97	0	10	10	As per entitlement	Employee	Qaisar Alam
Computer Equipment	285	214	214	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Computer Equipment	64	0	6	6	As per entitlement	Employee	Gurbuksh Rajpal
Computer Equipment	102	0	10	10	As per entitlement	Ex-Employee	Sarfaz Ahmed
Computer Equipment	93	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Computer Equipment	102	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	<u>743</u>	<u>219</u>	<u>245</u>	<u>26</u>			
Furniture and fixtures	175	29	29	-	As per entitlement	Ex-Employee	Waseem Bashir
Furniture and fixtures	150	13	13	-	As per entitlement	Ex-Employee	Muhammad Azhar Khan
Furniture and fixtures	150	22	22	-	As per entitlement	Ex-Employee	Pervaiz Iqbal
Furniture and fixtures	500	158	158	-	As per entitlement	Ex-Employee	Shehzad A Shami
Furniture and fixtures	175	69	69	-	As per entitlement	Ex-Employee	Zahra Kausar
Furniture and fixtures	150	4	4	-	As per entitlement	Ex-Employee	Ian Saeed
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Muhammad Anwar Shinwari
Furniture and fixtures	175	76	76	-	As per entitlement	Ex-Employee	Maqsood Ahmed Rashad
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Ali Ahmed Panezal
Furniture and fixtures	150	11	11	-	As per entitlement	Ex-Employee	Ali Asghar Channa
Furniture and fixtures	175	42	42	-	As per entitlement	Ex-Employee	Muhammad Saleem Baig
Furniture and fixtures	150	10	10	-	As per entitlement	Ex-Employee	Muhammad Azharulla
Furniture and fixtures	150	15	15	-	As per entitlement	Ex-Employee	Muhammad Ayub Bhatti
Furniture and fixtures	300	74	74	-	As per entitlement	Ex-Employee	Ansar Raza Goraha

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For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Purchaser Name
-----Rupees in '000-----							
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Atif Najam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Abid Akhtar
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Farrukh Wazir
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Imdad Ali Babar
Furniture and fixtures	150	14	14	-	As per entitlement	Ex-Employee	Ghulam Dastagir
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture and fixtures	175	13	13	-	As per entitlement	Ex-Employee	Sikandar Hayat
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Ghulam Ali Memon
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture and fixtures	150	90	90	-	As per entitlement	Ex-Employee	Muhammad Saeed Noor
Furniture and fixtures	175	31	31	-	As per entitlement	Ex-Employee	Samuel Robin
Furniture and fixtures	175	26	26	-	As per entitlement	Ex-Employee	Muhammad Hassain Rin
Furniture and fixtures	175	7	7	-	As per entitlement	Ex-Employee	Jaffer Hussain Shah
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Tajammal Hussain Zafar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Bashir Ahmed Rahojo
Furniture and fixtures	175	97	97	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Muhammad Tanveer Khan
Furniture and fixtures	150	25	25	-	As per entitlement	Ex-Employee	Tariq Hussain
Furniture and fixtures	150	70	70	-	As per entitlement	Ex-Employee	Ghulam Haider Shaikh
Furniture and fixtures	175	47	47	-	As per entitlement	Ex-Employee	Syed Kazim Raza
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Seema Masood
Furniture and fixtures	175	28	28	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Liaqat Ali Junejo
Furniture and fixtures	175	58	58	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Furniture and fixtures	150	6	6	-	As per entitlement	Ex-Employee	Jawed Masood
Furniture and fixtures	150	7	7	-	As per entitlement	Ex-Employee	Muhammad Azam Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Syed Nigha Hussain Shah
Furniture and fixtures	150	53	53	-	As per entitlement	Ex-Employee	Muhammad Khalid Khanzada
Furniture and fixtures	150	39	39	-	As per entitlement	Ex-Employee	Zia Ahmed Siddiqi
Furniture and fixtures	150	50	50	-	As per entitlement	Ex-Employee	Syed Afzal Sadiq
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Muhammad Akram Khan
Furniture and fixtures	150	5	5	-	As per entitlement	Ex-Employee	Shafaulah Khan
Furniture and fixtures	150	19	19	-	As per entitlement	Ex-Employee	Samina Mansoor
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Akhtar Hussain Khowaja
Furniture and fixtures	175	80	80	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zia Afshan Akram
Furniture and fixtures	150	80	80	-	As per entitlement	Ex-Employee	Nawab Zada
Furniture and fixtures	175	36	36	-	As per entitlement	Ex-Employee	Ahmed Bilal Hussain
Furniture and fixtures	500	217	217	-	As per entitlement	Ex-Employee	Qamar Hussain
Furniture and fixtures	150	58	58	-	As per entitlement	Ex-Employee	Jan Muhammad
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Zeeshan Wakeel
Furniture and fixtures	175	23	23	-	As per entitlement	Ex-Employee	Basharat Ali

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Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Purchaser Name
-----Rupees in '000-----							
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zulfiqar Ali Memon
Furniture and fixtures	150	48	48	-	As per entitlement	Ex-Employee	Muhammad Qasim
Furniture and fixtures	150	33	33	-	As per entitlement	Ex-Employee	Hafeez Ur Rehman
Furniture and fixtures	175	18	18	-	As per entitlement	Ex-Employee	Pervaiz Ahmed Kiyani
Furniture and fixtures	150	55	55	-	As per entitlement	Ex-Employee	Nauman Shahid
Furniture and fixtures	175	20	20	-	As per entitlement	Ex-Employee	Ali Azam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	ChLiaquat Iqbal
Furniture and fixtures	150	1	1	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture and fixtures	150	63	63	-	As per entitlement	Ex-Employee	Juma Gul Khattak
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Habib Ali
	<u>11,625</u>	<u>2,498</u>	<u>2,498</u>	<u>-</u>			
Vehicles	1,658	608	608	-	As per entitlement	Ex-Employee	Ali Ahmed Panezi
Vehicles	5,106	1,532	1,532	-	As per entitlement	Ex-Employee	Shahzad A Shami
Vehicles	1,538	154	154	-	As per entitlement	Ex-Employee	Muhammad Ashfaq Khan
Vehicles	1,628	497	497	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Vehicles	1,538	0	154	154	As per entitlement	Ex-Employee	M Yaqoob
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Amir Sattar
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Sultana Naheed
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Tariq Jamali
Vehicles	1,764	1,382	1,382	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Vehicles	1,269	973	973	-	As per entitlement	Ex-Employee	Rizwan Hameed
Vehicles	1,764	1,235	1,235	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Vehicles	1,664	887	887	-	As per entitlement	Ex-Employee	Basharat Ali
Vehicles	1,628	1,022	1,022	-	As per entitlement	Ex-Employee	Arshad Mahmood Mian
Vehicles	1,658	580	580	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Vehicles	1,664	971	971	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Vehicles	5,105	766	766	-	As per entitlement	Ex-Employee	Qamar Hussain
Vehicles	1,658	304	304	-	As per entitlement	Employee	S.M Ayub
Vehicles	1,552	310	310	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
Vehicles	1,664	804	804	-	As per entitlement	Employee	Muhammad Irfan Khan
Vehicles	1,858	372	372	-	As per entitlement	Employee	Shahid Iqbal Dar
Vehicles	1,858	341	341	-	As per entitlement	Employee	Mirza Babar Baig
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rana Imdad Hussain
Vehicles	1,858	372	372	-	As per entitlement	Employee	Azra Naila Uzair
Vehicles	1,658	332	332	-	As per entitlement	Employee	Tahir Shahbaz Anjum
Vehicles	1,658	332	332	-	As per entitlement	Employee	Saleem Tahir
Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Wajid
Vehicles	1,658	332	332	-	As per entitlement	Employee	Nasir Abbas
Vehicles	1,858	372	372	-	As per entitlement	Employee	Faisal Ahmed Topra
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mudassir Nabi
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rizwana Ammar
Vehicles	1,658	332	332	-	As per entitlement	Employee	Aqib Malik
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mumtaz Rafi
	<u>70,518</u>	<u>19,526</u>	<u>19,680</u>	<u>154</u>			
	<u>85,646</u>	<u>23,401</u>	<u>23,581</u>	<u>180</u>			

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13. INTANGIBLE ASSETS

	2019					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
----- Rupees in '000 -----						
At January 1, 2019						
Cost	2,913,953	627,981	1,041	655,146	4,774	4,202,895
Accumulated amortisation and impairment	(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
Net book value	113,027	179,289	-	562,553	2,032	856,900
Year ended December 2019						
Opening net book value	113,027	179,288	-	562,553	2,032	856,900
Additions - developed internally	-	57,219	-	-	-	57,219
Additions - directly purchased	-	438,010	-	-	-	438,010
Adjustments - Addition	-	178,877	-	-	-	178,877
Disposals	-	-	-	-	-	-
Amortisation charge	(113,027)	(214,855)	-	-	-	(327,882)
Other adjustments - Cost	-	8,258	-	-	-	8,258
Other adjustments - amortisation	-	(140,616)	-	-	-	(140,616)
Closing net book value	-	506,181	-	562,553	2,032	1,070,766
At December 31, 2019						
Cost	2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
Accumulated amortisation and impairment	(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
Net book value	-	506,181	-	562,553	2,032	1,070,766
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			
----- Rupees in '000 -----						
At January 1, 2018						
Cost	2,913,953	595,616	1,041	655,146	4,774	4,170,530
Accumulated amortisation and impairment	(2,614,325)	(309,392)	(1,041)	(92,593)	(2,742)	(3,020,093)
Net book value	299,628	286,224	-	562,553	2,032	1,150,437
Year ended December 2018						
Opening net book value	299,628	286,224	-	562,553	2,032	1,150,437
Additions - through acquisitions / purchased	-	27,896	-	-	-	27,896
Disposals	-	-	-	-	-	-
Amortisation charge	(186,602)	(138,078)	-	-	-	(324,680)
Other adjustments - Cost	-	4,470	-	-	-	4,470
Other adjustments - Amortization	-	(1,223)	-	-	-	(1,223)
Closing net book value	113,027	179,289	-	562,553	2,032	856,900
At December 31, 2018						
Cost	2,913,953	627,981	1,041	655,146	4,774	4,202,895
Accumulated amortisation and impairment	(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
Net book value	113,027	179,289	-	562,553	2,032	856,900
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

13.1 For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using weighted average cost of capital of 16.9% and terminal growth of 3.3% considering six years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

As a result, the recoverable amount exceeds the carrying value as at December 31, 2019, therefore, management did not identify any impairment.

Notes to the Consolidated Financial Statements

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	2019	2018
	----- Rupees in '000 -----	
14. RIGHT-OF-USE ASSETS		
The recognised right-of-use assets relate to the following types of assets:		
Balance as at initial application	8,201,792	-
Additions during the period	1,185,554	-
Depreciation charged for the period	1,939,932	-
Balance as at December 31, 2019	<u>7,447,414</u>	<u>-</u>

The right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

	2019	2018
	----- Rupees in '000 -----	
	Note	
15. OTHER ASSETS		
Income / return / mark-up accrued in local currency - net of provision	53,671,771	31,164,399
Income / return / mark-up accrued in foreign currency - net of provision	2,577,971	2,481,428
Advances, deposits, advance rent and other prepayments	7,989,931	7,239,676
Advance taxation (payments less provisions)	9,310,764	11,879,329
Income tax refunds receivable	42,667,383	45,531,634
Compensation for delayed tax refunds	13,722,128	8,082,559
Non-banking assets acquired in satisfaction of claims	3,284,853	3,796,527
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	228,483
Unrealized gain on forward foreign exchange contracts	-	6,929,960
Commission receivable on Government treasury transactions	4,065,704	4,627,921
Stationery and stamps on hand	435,733	381,722
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Receivable against sale / purchase of shares	492,009	580,632
Receivable against sale of foreign currencies	-	160,496
Receivable from Pakistan Stock Exchange	6,331	127,579
Receivable from mutual funds	791,738	674,504
Acceptances	26,934,779	45,884,978
Others	10,462,646	8,394,868
	<u>177,559,569</u>	<u>179,104,100</u>
Less: Provision held against other assets	10,853,588	8,884,661
Other assets (net of provision)	166,705,981	170,219,439
Surplus / (deficit) on revaluation of non-banking assets acquired in satisfaction of claims	477,215	(201,867)
Other assets - total	<u>167,183,196</u>	<u>170,017,572</u>

- 15.1** This includes Rs. 5,808 million (2018: Rs. 4,644 million) advance against Pre-IPO placement of Term Finance Certificates.
- 15.2** This represents amount receivable from GoP on account of encashment of various instruments handled by the Group for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.
- 15.3** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.
- 15.4** Market value of Non-banking assets acquired in satisfaction of claims 3,762,068 3,594,660

An independent valuation of the Group's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at 31 December 2019. The valuation was carried out by Imtech (Pvt) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
15.4.1 Non-banking assets acquired in satisfaction of claims		
Opening Balance	3,594,660	3,831,300
Revaluation	477,215	(201,867)
Depreciation	(29,577)	(34,773)
Adjustment	38,041	-
Transfer to operating fixed assets	(318,271)	-
Closing Balance	3,762,068	3,594,660
15.5 Provision held against other assets		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	2,555,322	2,405,689
Compensation claimed by SBP due to delay in settlement of Government transactions	127,857	158,579
Provision against FE-25 loans	1,734,591	1,734,591
Ex-MBL / NDFC - other assets	534,173	534,173
Assets acquired from CIRC	208,424	228,484
Others	3,668,718	1,798,641
	10,853,588	8,884,661
15.5.1 Movement in provision held against other assets		
Opening balance	8,884,661	8,772,698
Charge for the year	1,589,466	2,289,554
Transfer in	457,738	-
Adjustment of compensation claimed by SBP to SBP balances	(78,277)	(2,174,278)
Amount Written off	-	(3,314)
Closing balance	10,853,588	8,884,661
16. BILLS PAYABLE		
In Pakistan	19,648,708	9,838,706
Outside Pakistan	218,716	105,472
	19,867,424	9,944,178

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	1,908,291	1,553,200
Under Export Refinance Scheme (New Scheme)	20,687,441	15,711,423
Financing Scheme for Renewable Energy	236,175	-
Refinance Facility for Modernization of SMEs	45,000	-
Financing Facility for storage of Agriculture Produce (FFSAP)	284,012	222,727
Under Long-Term Financing Facility (LTFF)	8,923,286	5,418,613
	32,084,205	22,905,963
Repurchase agreement borrowings	332,053,770	278,631,608
Bai Muajjal	59,069,167	45,954,085
Total secured	423,207,142	347,491,656
Unsecured		
Call borrowings	39,052,969	36,400,855
Overdrawn nostro accounts	3,467,767	3,807,347
Bai Muajjal	6,029,474	5,039,538
Total unsecured	48,550,210	45,247,740
	471,757,352	392,739,396
17.1 Particulars of borrowings with respect to currencies		
In local currency	432,843,644	356,338,554
In foreign currencies	38,913,708	36,400,842
	471,757,352	392,739,396

17.2 Mark-up / interest rates and other terms are as follows:

- The Group has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2018: 3%).
- Repurchase agreement borrowings carry mark-up ranging from 13.20% to 13.32% per annum (2018: 8.4% to 10.16% per annum) having maturity ranging from January 2, 2020 to January 20, 2020.
- Call borrowings carry interest ranging from 1.75% to 4.0% per annum (2018: 0% to 4.22% per annum).

17.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Group's cash and security balances held by the SBP.

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 332,054 million (2018: Rs. 283,850 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

18. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits - remunerative	320,884,110	-	320,884,110	323,623,737	-	323,623,737
Current deposits - non - remunerative	387,189,069	139,244,567	526,433,636	342,571,453	123,766,119	466,337,572
Savings deposits	533,399,568	52,502,297	585,901,865	498,375,321	37,821,597	536,196,918
Term deposits	285,063,204	75,448,185	360,511,389	273,492,139	66,143,486	339,635,626
Others	4,970,352	3,924	4,974,276	9,377,504	3,409	9,380,913
	1,531,506,303	267,198,973	1,798,705,276	1,447,440,155	227,734,611	1,675,174,765
Financial Institutions						
Current deposits	357,457,518	375,807	357,833,325	285,716,351	26,528,709	312,245,060
Savings deposits	4,405,416	2,911,091	7,316,507	812,330	778	813,108
Term deposits	21,655,082	5,638,426	27,293,508	7,197,975	1,675,953	8,873,928
Others	6,549,217	286,740	6,835,957	4,523,362	9,682,401	14,205,763
	390,067,233	9,212,064	399,279,297	298,250,018	37,887,841	336,137,859
	1,921,573,536	276,411,037	2,197,984,573	1,745,690,173	265,622,452	2,011,312,625

18.1 Composition of deposits

	2019	2018
----- Rupees in '000 -----		
Individuals	700,612,760	665,107,543
Government (Federal and Provincial)	602,785,706	586,365,968
Public Sector Entities	237,284,226	138,286,912
Banking Companies	379,108,513	319,990,010
Non-Banking Financial Institutions	20,196,519	16,313,631
Private Sector	257,996,849	285,248,560
	2,197,984,573	2,011,312,625

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 85,488 million (2018: Rs. 104,127 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 859,148 million (2018: Rs. 774,901 million) including islamic branches.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019			2018		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
----- Rupees in '000 -----						
Not later than one year	74,023	17,757	56,266	41,968	9,328	32,640
Later than one year and upto five years	151,479	13,342	138,137	97,404	8,967	88,437
Over five years	-	-	-	-	-	-
	225,502	31,099	194,403	139,372	18,295	121,077

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 1.75% to KIBOR + 3.5% per annum (2018: KIBOR + 1.75% to KIBOR + 3.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2019 2018
----- Rupees in '000 -----

20. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

Lease liabilities included in the statement of financial position
As at December 31, 2019

Of which are:

Current lease liability

Non-current lease liability

	7,831,350	-
Current lease liability	1,339,898	-
Non-current lease liability	6,491,452	-
	7,831,350	-
Maturity analysis - contractual undiscounted cashflows		
Less than one year	2,097,191	-
One to five years	6,753,791	-
More than five years	6,652,960	-
Total undiscounted lease liabilities as at December 31, 2019	15,503,942	-

21. DEFERRED TAX

2019

At January 1, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2019
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----- Rupees in '000 -----

Deductible Temporary Differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against advances
- Provision against off-balance sheet obligations
- Other provision
- Others

10,705	-	-	10,705
2,816,109	3,845	1,085,194	3,905,148
236,751	-	-	236,751
622,390	2,003,105	-	2,625,495
115,222	-	-	115,222
111,576	(6,160)	-	105,416
3,904	-	(77)	3,827
3,916,657	2,000,790	1,085,117	7,002,564

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Excess of accounting book value of leased assets over lease liabilities
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Others

(1,822,205)	154,018	(27,220)	(1,695,407)
(2,477)	(1,243)	-	(3,720)
(6,667,702)	-	(7,148,817)	(13,816,519)
(55,208)	-	13,769	(41,439)
(2,314,832)	-	-	(2,314,832)
(10,862,424)	152,775	(7,162,268)	(17,871,917)
(6,945,767)	2,153,565	(6,077,151)	(10,869,353)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2018

At January 1, 2018	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2018
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----- Rupees in '000 -----

Deductible Temporary Differences on

- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	13,649,979	(10,749,986)	(83,884)	2,816,109
- Provision for diminution in the value of investments	3,278,835	(3,042,084)	-	236,751
- Provision against advances	622,390	-	-	622,390
- Provision against off-balance sheet obligations	116,622	(1,400)	-	115,222
- Unrealised loss / (gain) on derivatives	439,026	(439,026)	-	-
- Excess of accounting book value of leased assets over lease liabilities	3,872	(6,349)	-	(2,477)
- Other provision	2,187,036	(2,080,660)	5,200	111,576
- Others	3,584	(175)	495	3,904
	20,312,049	(16,319,680)	(78,189)	3,914,180

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets	(374,657)	80,288	(1,527,836)	(1,822,205)
- Surplus on revaluation of investments	(12,504,929)	-	5,837,227	(6,667,702)
- Surplus on revaluation of non-banking assets	(89,981)	-	34,773	(55,208)
- Others	-	(2,314,832)	-	(2,314,832)
	(12,969,567)	(2,234,544)	4,344,164	(10,859,947)
	7,342,482	(18,554,222)	4,265,975	(6,945,767)

2019 2018

Note ----- Rupees in '000 -----

22. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency		57,027,903	31,324,102
Mark-up / Return / Interest payable in foreign currency		439,959	555,608
Unearned commission and income on bills discounted		3,058,753	643,869
Accrued expenses		19,037,792	11,651,136
Advance payments		430,377	370,498
Acceptances		26,934,779	45,884,978
Unclaimed dividends	38.1	186,668	188,868
Unrealized loss on forward foreign exchange contracts		4,358,883	-
Unrealized loss on put option		306,339	306,339
Branch adjustment account		926,311	5,864,695
Employee benefits:			
Pension fund		14,785,647	13,069,665
Post retirement medical benefits		18,333,947	15,371,225
Benevolent fund		1,749,006	1,604,689
Gratuity scheme		2,403,018	1,881,355
Compensated absences		8,344,182	7,541,419
Staff welfare fund		371,257	371,257
Liabilities relating to Barter trade agreements		5,539,436	18,034,813
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	22.1	4,629,645	3,734,889
Payable to brokers		38,667	180,594
Payable to customers		158,180	190,335
PIBs shortselling		256,284	366,896
Others		14,688,731	11,997,194
		184,633,258	171,761,918

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

22.1 Provision against contingencies

	Note	2019 ----- Rupees in '000 -----	2018
Opening balance		3,734,889	3,634,889
Charge during the year		1,152,495	-
Transfer out		(457,739)	-
Other movement		200,000	100,000
Closing balance	22.1.1	<u>4,629,645</u>	<u>3,734,889</u>

22.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

23. SHARE CAPITAL

23.1 Authorized Capital

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

23.2 Issued, subscribed and paid up

2019	2018		2019	2018
Number of shares		Ordinary shares	----- Rupees in '000 -----	
<u>140,388,000</u>	<u>140,388,000</u>	Fully paid in cash	<u>1,403,880</u>	<u>1,403,880</u>
<u>1,987,125,026</u>	<u>1,987,125,026</u>	Issued as bonus shares	<u>19,871,251</u>	<u>19,871,251</u>
<u>2,127,513,026</u>	<u>2,127,513,026</u>		<u>21,275,131</u>	<u>21,275,131</u>

The Federal Government and the SBP held 75.60% (2018: 75.60%) shares of the Bank.

23.3 Shares of the Bank held by subsidiary and associate

Following shares were held by the associate of the Bank as of year end:

	2019	2018
	Number of shares	
First Credit & Investment Bank Limited	<u>70,000</u>	70,000
NBP Stock Fund	<u>330,000</u>	-
	<u>400,000</u>	<u>70,000</u>

24. RESERVES

24.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

24.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

24.3 General loan loss reserve

The Group is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of Directors in their meeting held on 11 & 12 July, 2019 transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019	2018
		----- Rupees in '000 -----	
25. SURPLUS ON REVALUATION OF ASSETS			
Net surplus on revaluation of :			
- Available for sale securities	10.1	39,455,572	22,929,135
- Fixed Assets	25.1	45,096,875	44,693,917
- Non-banking assets acquired in satisfaction of claims	25.2	2,539,695	2,062,480
- On securities of associates and joint venture		(385,602)	(1,111,660)
		86,706,540	68,573,872
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(13,816,519)	(6,667,702)
- Fixed Assets	25.1	(2,489,995)	(2,588,785)
- Non-banking assets acquired in satisfaction of claims	25.2	(41,439)	(55,208)
		(16,347,953)	(9,311,695)
		70,358,587	59,262,177
25.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1			
		44,292,018	22,660,691
Recognised during the year			
		653,070	21,789,525
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax			
		(239,552)	(102,829)
Related deferred tax liability on incremental depreciation charged during the year			
		(128,989)	(55,369)
		44,576,547	44,292,018
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,588,785)	(1,116,388)
- revaluation recognised during the year		(30,199)	(1,527,766)
- incremental depreciation charged during the year		128,989	55,369
		(2,489,995)	(2,588,785)
Share of surplus on revaluation of fixed assets of associates and joint venture			
		520,328	401,899
		42,606,880	42,105,132
25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1			
		2,062,480	2,264,347
Recognised during the year			
		477,215	(201,867)
		2,539,695	2,062,480
Less: related deferred tax liability on:			
- revaluation as at January 1		(55,208)	(89,981)
- revaluation recognised during the year		13,769	34,773
		(41,439)	(55,208)
		2,498,256	2,007,272

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
26. CONTINGENCIES AND COMMITMENTS			
Guarantees	26.1	161,579,745	94,340,275
Commitments	26.2	1,761,652,119	1,286,438,703
Other contingent liabilities	26.3	30,664,297	29,259,673
		1,953,896,161	1,410,038,651
26.1 Guarantees:			
Financial guarantees		101,841,274	55,505,600
Performance guarantees		59,738,471	38,834,675
		161,579,745	94,340,275
26.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		937,616,635	716,304,478
Commitments in respect of:			
- forward foreign exchange contracts	26.2.1	801,290,548	512,873,075
- forward government securities transactions	26.2.2	22,164,581	56,816,129
Commitments for acquisition of:			
- operating fixed assets		566,855	431,521
- intangible assets		-	-
Other commitments	26.2.3	13,500	13,500
		1,761,652,119	1,286,438,703
26.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		478,842,756	312,710,160
Sale		322,447,792	200,162,915
		801,290,548	512,873,075

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
26.2.2 Commitments in respect of forward government securities transactions		
Purchase	256,814	50,950,025
Sale	21,907,767	5,866,104
	22,164,581	56,816,129

Commitments for outstanding forward government securities transactions are disclosed in these consolidated financial statements at contracted rates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
26.2.3 Professional services to be received	13,500	13,500
26.3 Other contingent liabilities		
26.3.1 Claim against the Group not acknowledged as debt	30,664,297	29,259,673

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2018: Rs. 1,597 million).

26.3.2 Taxation

The tax returns of the Bank have been filed up to tax year 2018 and amended by the tax authorities up to Tax Year 2018. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2019.

- Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of Tax Year 2013 during the year which issue was decided by learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage. The bank has filed an appeal before ATIR, which is pending adjudication.
- The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2019 amounts to Rs.17.9 billion (December 31, 2018: Rs. 10.7 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.
- The Bank has filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December-2016 wherein the principal demand of Rs 386 million has been raised.
- The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers Welfare Fund Ordinance, 1971, the Bank in which the Government holds more than 51% shareholding remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as the Bank employees do not fall in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file suit before Honourable High Court of Sindh. Accordingly, no provision has been made for Sindh WWF in these consolidated financial statements based on the advice of the Tax consultant.
- The Bank has filed an Appeal before the Commissioner (Appeals) Sindh Revenue Board on the order passed by Assistant Commissioner SRB for levy of Sindh Sales Tax on the services provided to the Federal Government through the State Bank of Pakistan for the tax period July 2011 till March 2015 amounting to Rs.358.28 million based on data provided by SBP. No provision has been made for this amount in these consolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon the decision of filed Appeal.

26.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits (note 26.3.3.1) and Restoration of Commuted Pension (note 26.3.3.3), the financial impact of other matters is impracticable to determine with sufficient reliability.

26.3.3.1 Pensionary benefits to retired employees

In 1977 the Federal Govt. vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated @ 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

Notes to the Consolidated Financial Statements

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In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 & 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the Petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court, Lahore, vide its judgment dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the Petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgment dated January 16, 2017. The Bank assailed the said judgment by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both Parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (c) of 1977. Under this Circular, the pension of employees was to be calculated @ 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed Review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the Review petition, which was reportedly accepted by the then Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgment as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Petitions were last fixed on January 09, 2020, however as the Video link was not working, no proceedings took place and the honorable Supreme court directed for relisting of the matters.

In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 67.1 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for 2020 onward will also increase by Rs. 7.0 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

26.3.3.2 Post retirement medical facilities

In September, 2011 Ch. Muhammad Qasim and 5 others, who had opted for separation from service under GHS/ VHS filed a writ petition for an increase in the medical ceiling under the Bank issued Circular no.19/95. The Bank contested the writ petition on the grounds that the petitioners had opted for separation from the service of the Bank under GHS and VHS after receiving payment of compensation as contemplated under the said Schemes. With regard to medical ceiling for such persons who had opted voluntarily, an option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme; therefore, they were not entitled for any benefit under the said circular. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the petitioners, after having signed a disclaimer at the time of receipt of benefits under GHS, were not entitled to any further payment. The High Court while disregarding these arguments allowed the writ petition. The Bank has filed an Intra Court Appeal against the order of the single bench which is still pending adjudication with a date in office. The Bank's management is confident that the case will be decided in the favor of the Bank. Accordingly, no provision has been made in these consolidated financial statements.

26.3.3.3 Restoration of Commuted Pension

The portion of pension of an employee commuted at the time of retirement is restored after the lapse of the period for which the commutation was made. The restoration is made without applying any increase granted in pension during that period. Some of the retired employees filed writ petitions before Lahore High Court seeking restoration of the commuted portion of their pension with all the increments granted during the period for which the pension was commuted.

Notes to the Consolidated Financial Statements

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The single bench of the High Court decided the matter against the Bank vide order dated April 14, 2017 which was assailed by the Bank through an Intra Court Appeal. The said appeal is ongoing.

In the meantime two Writ Petitions filed before the Lahore High Court, Lahore on the same subject matter, were dismissed vide order dated November 25, 2019. The Petitioners have assailed the said order through Intra court appeals which are also ongoing. Management is confident that case will be decided in favor of the Bank and therefore no provision has been made in these consolidated financial statements.

26.3.3.4 Regularizing the temporary hires / workers deployed by Service provider Companies under outsourcing arrangements

The Bank outsourced certain noncore jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and NIRC seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

26.3.3.5 Golden Handshake (GHS)

The Bank had introduced the Golden Shake Hand Schemes in 1997 with a cut-off date however some of the employees who had opted for separation under the said scheme were not relieved on the said date and continued to perform duties. Subsequently some of those employees filed Petitions before various high courts regarding payment of certain pensionary benefits. Most of the cases have been disposed of on the basis of Apex Court judgment in Naseem Arif Abbasi case (2011 SCMR 446). There are still some pending Petitions however, keeping in view the said Judgment prima facie the Bank has a good case.

26.3.3.6 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21, 2016 passed by the Supreme court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010.

Mr. Ashfaq Ali and 3 others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. The Civil Appeal was dismissed vide order September 21, 2016 in terms of which the Order of the Sindh High Court was upheld to pay arrears. Review Petition filed by the Bank was also dismissed vide order dated April 14, 2017.

Moreover, a number of Bank Employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed of with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honorable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated September 21, 2016. Subsequently, the Karachi Bench of Sindh High Court modified their earlier judgment and restricted the same to the extent of Petitioners only. The Bank formed a Committee and cases of the Petitioners/employees, claiming to be similarly placed with the MTOs, were reviewed by the Bank on the touch stone of intelligible differentia.

One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018, in the light of the aforesaid judgment of the Supreme Court. The Bank assailed the said order before the Apex court however the same was dismissed vide order dated October 2, 2019 which has now attained finality.

The Bank is exploring various options to bring closure to this ongoing issue, including settlement options. In light of the above, the Group's management has reflected any potential impact it may have in an appropriate manner in these consolidated financial statements.

26.4 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/S Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to the Bank by way of interim orders.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

As advised by our counsel, NBP has also filed a Constitutional Petition challenging the constitution of the Appellate Board by the Commission and has obtained restraining order on the ground that the Appellate Board constituted by the Commission lacks legal merit in the light of Supreme Court ruling. Our counsel, Mr. Raashid Anwar, Advocate has concluded his arguments in respect of the Foreign Exchange Regulation Appellate Board constitution. However, another petition filed by another company whereby challenging the constitutionality of the Competition Act was also tagged with the Petitions filed by the banks.

Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

26.5 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact or penal consequences.

	2019	2018
	----- Rupees in '000 -----	
27. MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	109,691,501	69,413,234
Investments	122,407,550	76,346,868
On securities purchased under resale agreements	5,463,361	3,666,797
Balances with other banks	2,147,878	751,279
	239,710,290	150,178,178
28. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	110,045,944	61,688,519
Borrowings	6,981,845	2,942,429
Cost of foreign currency swaps against foreign currency deposits / borrowings	9,157,133	6,075,207
Finance charge on lease liability against right of use assets	734,741	-
Securities sold under repurchase agreements	40,636,745	18,580,699
	167,556,408	89,286,854
29. FEE AND COMMISSION INCOME		
Branch banking customer fees	1,450,895	1,251,885
Consumer finance related fees	810,367	802,721
Card related fees	657,077	437,670
Credit related fees	237,625	284,106
Investment banking fees	616,320	644,931
Commission on trade	3,359,376	3,122,027
Commission on guarantees	440,867	428,051
Commission on cash management	22,656	16,431
Commission on remittances including home remittances	949,284	854,338
Commission on bancassurance	392,746	343,621
Commission on government transactions	9,958,006	9,223,016
Management Fee & Sale Load	1,182,963	1,473,419
Brokerage Income	73,008	94,820
Others	265,452	146,944
	20,416,642	19,123,980

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- Rupees in '000 -----	2018
30. GAIN / (LOSS) ON SECURITIES - NET			
Realised	30.1	2,127,698	3,963,001
Unrealised - held for trading	10.1	37,826	(22,024)
		2,165,524	3,940,977
30.1 Realised gain on:			
Federal Government Securities		557,418	513,577
Shares and mutual funds		1,541,817	3,362,184
Ijarah Sukuks		28,463	87,240
		2,127,698	3,963,001
31. OTHER INCOME			
Rent on property		33,031	51,761
Gain on sale of fixed assets - net		37,487	138,248
Postal, SWIFT and other charges recovered		44,202	-
Compensation for delayed tax refunds	31.1	5,639,569	2,456,174
Digital infrastructure support income		33,729	-
Others		28,956	29,246
		5,816,974	2,675,429

31.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018	
Note	----- Rupees in '000 -----		
32. OPERATING EXPENSES			
Total compensation expense	32.1	46,186,431	38,303,721
Property expense			
Rent and taxes		989,622	2,579,102
Insurance		52,762	51,239
Utilities cost		1,218,397	1,036,726
Security (including guards)		2,562,745	2,352,104
Repair and maintenance (including janitorial charges)		1,078,882	1,021,452
Depreciation		461,382	205,165
Depreciation on non banking assets		29,577	34,770
Depreciation on Ijarah assets		161,131	258,703
Depreciation on ROUA		1,939,932	-
		8,494,430	7,539,260
Information technology expenses			
Software maintenance		1,069,328	617,945
Hardware maintenance		18,833	23,412
Depreciation		312,550	443,035
Amortisation		327,882	324,680
Network charges		522,070	509,007
Others		1,049	69,722
		2,251,712	1,987,801
Other operating expenses			
Directors' fees and allowances		38,613	25,895
Directors' fees and allowances - subsidiaries		6,873	4,455
Fees and allowances to Shariah Board		9,163	7,508
Legal & professional charges		741,162	528,080
Outsourced services costs	32.3	794,629	783,669
Travelling and conveyance		1,084,793	1,001,243
NIFT clearing charges		153,825	152,937
Depreciation		1,651,965	1,512,509
Training and development		118,488	140,692
Postage and courier charges		214,909	340,258
Communication		354,206	340,634
Stationery and printing		1,030,548	962,267
Marketing, advertisement & publicity		302,158	708,283
Donations	32.4	-	2,015
Contributions for other Corporate and Social Responsibility	32.4	26,868	77,728
Auditors' remuneration	32.5	354,198	257,590
Fixed Assets / Non-banking asset deficit		-	202,847
Financial charges on leased assets		44,648	19,313
Entertainment		297,093	210,409
Clearing, verification, licence fee charges		444,739	294,790
Subscription		1,095	1,872
Brokerage		108,171	89,105
Insurance General	32.2	415,779	305,628
Vehicle Expenses		145,957	152,181
Deposit Premium expense		1,244,433	479,027
Repairs & Maintenance General		387,878	466,654
Others		323,298	336,125
		10,295,489	9,403,713
		67,228,062	57,234,494

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
32.1 Total compensation expense		
Fees and Allowances etc	-	-
Managerial Remuneration		
i) Fixed	18,259,935	13,342,908
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	4,242,652	3,334,640
b) Bonus & Awards in Shares etc.	-	-
Charge for defined benefit plan	7,495,742	6,026,025
Charge for defined benefit plan - subsidiaries	59,264	36,945
Contribution to defined contribution plan	-	-
Rent & house maintenance	4,619,663	4,272,194
Utilities	1,693,998	1,549,961
Medical	3,115,337	2,800,757
Conveyance	3,301,861	3,355,656
Club Membership & Subscription	43,125	47,409
Education Allowance	1,570,297	1,064,981
Insurance	309,152	277,384
Honorarium to Staff and Staff Welfare	262,111	209,485
Overtime	53,628	42,095
Special Duty Allowance	1,143	442
Washing Allowance	16,707	16,721
Key Allowance	78,886	48,795
Unattractive Area Allowance	48,282	45,662
Leave Encashment	80,128	12,827
Teaching Allowance	7,962	2,303
Incentive on CASA deposits mobilization	26,063	-
Entertainment	126,561	108,927
Liveries	490	8,071
Leave Fare Assistance	21,472	22,032
EOBI	9,211	7,378
Hill, Late Sitting & Saturday allowance etc.	742,761	1,670,123
Sub-total	46,186,431	38,303,721
Sign-on-bonus	-	-
Severance Allowance	-	-
Grand Total	46,186,431	38,303,721

32.2 This includes Rs. 3.201 million (2018: Rs. 2.759 million) insurance premium against directors' liability insurance.

32.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs 795 million (2018: Rs 784 million). Out of this cost, Rs 787 million (2018: Rs 773 million) pertains to the payment to companies incorporated in Pakistan and Rs 8 million (2018: Rs 11 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Name of Company	Nature of Services	2019	2018
		----- Rupees in '000 -----	
ICON Consultant (Private) Limited	IT support services, sales services, collection, reconciliation and engineering services etc.	265,011	244,326
Virtual World (Private) Limited	Call center management	60,994	71,317
		326,005	315,643

32.4 Donations include following amounts exceeding Rs. 500,000:

Description

PM & CJ Fund for Bhasha Mohmand Dam	-	1,000
	-	1,000

Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description

Description	2019	2018
	----- Rupees in '000 -----	
Supreme Court for Dam Construction	-	19,493
Agribusiness School at Namal Knowledge City	-	10,000
Abdul Wali Khan University Mardan	-	2,665
Akhuwat University at Lahore	-	2,500
Jijal Maau Hospital Hyderabad	-	2,500
IBA Sukkur	-	2,100
National Epilepsy Center Karachi	-	1,800
Namal College-Mianwali	5,198	3,000
DHQ Hospital Gawadar	3,750	-
Teach for Pakistan, Islamabad	-	1,500
New motorcycle rickshaws in Mohmand Agency	-	850
Motorcycle Rickshaws to Rehabilitate Special Person	-	800
Sindh Madressatul Islam University Karachi	-	1,440
Mr. Basheer Ahmed	-	565
Syed Abad Botanical Garden University of Chitral	525	-
Earthquake Effectees of Mirpur AJ&K	7,500	-
Aman Foundation	2,000	-
Marie Adelaide Leprosy Centre Karachi	-	990
Professional Education Foundation, Karachi	-	1,200
Wise Education Society-Lahore	-	1,200
Lyari Town, Karachi	-	810
Total	18,973	53,413

32.4.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Deloitte Yousuf Adil	Grant Thornton Anjum Rahman	Total 2019	Total 2018
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----- Rupees in '000 -----

32.5 Auditors' remuneration

Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Fee for other statutory certifications	-	3,500	3,500	3,000
Special certifications and sundry advisory services	7,136	1,336	8,472	8,472
Tax services	-	20,000	20,000	20,000
Sales Tax	1,648	3,064	4,712	4,672
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	26,748	45,864	72,612	72,072
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	272,652	180,405
Fee for audit of subsidiaries including out-of-pocket expenses	-	-	8,934	5,113
	26,748	45,864	354,198	257,590

33. OTHER CHARGES

Note	2019	2018
	----- Rupees in '000 -----	
Penalties imposed by State Bank of Pakistan	141,015	237,480
Penalties imposed by other regulatory bodies (Central Bank of international branches)	7,076	6,573
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	2,494	1,944
	150,585	245,997

34. PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	2,231,186	143,370
Provisions against loans and advances	11.4	8,541,775	8,772,565
Provision against other assets and other liabilities		2,784,140	2,289,552
		13,557,101	11,205,488

35. TAXATION

Current	35.1	13,430,533	12,045,395
Prior years		1,053,841	(20,755,128)
Deferred		(2,153,565)	18,554,222
		12,330,809	9,844,489

35.1 Current taxation includes Rs. 319 million (2018: Rs. 519 million) of overseas branches.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

35.2 Relationship between tax expense and accounting profit

	2019	2018
	----- Rupees in '000 -----	
Accounting profit before tax	28,978,001	29,879,789
Income tax at statutory rate @ 35% (2018: 35%)	10,142,300	10,457,926
Super tax at statutory rate @ 4% (2018: 4%)	1,120,135	1,187,335
Prior year tax effects	1,053,841	(2,112,896)
Others	14,533	312,123
Tax charge for current and prior years	12,330,809	9,844,489

35.3 The Federal Government vide The Finance Supplementary (Second Amendment) Bill, 2019 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2017 (Tax Year 2018). Accordingly, provisions of Rs.1,057 million (2018: Rs. (2,113) million) for Super tax has been made in prior year.

	2019	2018
36. BASIC EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	16,582,705	19,913,104
Weighted average number of ordinary shares (Number in 000's)	2,127,513	2,127,513
Basic earnings per share (Rupees)	7.79	9.36
37. DILUTED EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	16,582,705	19,913,104
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	2,127,513	2,127,513
Diluted earnings per share (Rupees)	7.79	9.36

		2019	2018
		----- Rupees in '000 -----	
38. CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	7	293,198,090	247,917,421
Balance with other banks	8	13,598,325	13,049,725
Call money lendings	9	540,800	8,240,800
Call borrowings	17	(39,052,969)	(36,400,855)
Overdrawn nostros	17	(3,467,767)	(3,807,347)
		264,816,479	228,999,744

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

38.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

		2019	
		Lease Obligations	Unclaimed Dividend
		-----Rupees in 000'-----	
	Note		
Balance as at January 1, 2019	38.1.1	8,030,520	188,868
Changes from financing cashflows			
Payment of lease obligation / dividend		(2,186,508)	(2,200)
Total charges from financing activities		(2,186,508)	(2,200)
Other charges			
Renewed lease during the period		1,322,531	-
Interest unwinding		734,741	-
Foreign exchange gain		124,469	-
Total other charges		2,181,741	-
Balance as at December 31, 2019		8,025,753	186,668

		2018	
		Lease Obligations	Unclaimed Dividend
		-----Rupees in 000'-----	
Balance as at January 1, 2018		56,799	163,549
Changes from financing cashflows			
Payment of lease obligation / dividend		(46,879)	(25,319)
Total charges from financing activities		(46,879)	(25,319)
Other charges			
Renewed lease during the period		111,157	-
Increase in unclaimed dividend		-	50,638
Total other charges		111,157	50,638
Balance as at December 31, 2018		121,077	188,868

38.1.1 During the year, the Group has adopted IRFS 16 accordingly recognised lease obligation on January 1, 2019, amounting to Rs. 7,909 million.

		2019	2018
		----- Number -----	
39. STAFF STRENGTH			
Permanent		11,612	12,208
On contract		4,982	4,668
Staff strength at the end of the year		16,594	16,876

39.1 In addition to the above, 2,102 (2018: 2,185) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 2,096 employees are working domestically (2018: 2,185) and abroad 6 (2018: Nil) respectively.

Notes to the Consolidated Financial Statements

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40. DEFINED BENEFIT PLAN

40.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.14 to the consolidated financial statements.

40.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019	2018
	----- Number -----	
Pension fund	11,430	11,547
Gratuity fund	3,776	3,859
Benevolent Fund	11,430	11,547

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019	2018
	----- Per annum -----	
Discount rate	11.25%	13.25%
Expected rate of return on plan assets	11.25%	13.25%
Expected rate of salary increase	11.25%	13.25%
Expected rate of increase in pension	6.75%	8.75%
Expected rate of increase in medical benefit	11.25%	13.25%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

40.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2019					2018						
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
Present value of obligations	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523
Fair value of plan assets	(51,687,819)	-	-	-	-	(51,687,819)	(48,015,260)	-	-	-	-	(48,015,260)
Holding Company	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263
Subsidiaries	-	-	-	196,419	-	196,419	-	-	-	151,090	-	151,090
	14,785,647	18,333,947	1,749,006	2,403,018	8,344,182	45,615,800	13,069,665	15,371,225	1,604,689	1,881,355	7,541,419	39,468,353
40.5 Movement in defined benefit obligations												
Obligations at the beginning of the year	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013
Interest cost	7,869,232	1,975,232	196,021	226,381	973,033	11,239,892	5,360,600	1,321,656	178,311	137,009	-	6,997,576
Benefits paid by the Bank	(3,389,098)	(927,632)	(250,563)	(43,460)	(395,546)	(5,006,299)	(3,048,981)	(860,398)	(200,539)	(50,210)	(246,800)	(4,406,928)
Re-measurement loss / (gain) - Profit and Loss	-	-	-	-	43,515	43,515	-	-	-	-	-	-
Re-measurement loss / (gain) - OCI	(514,332)	1,391,114	147,644	40,772	-	1,065,198	(477,132)	166,124	(416,618)	(74,975)	-	(602,601)
Obligations at the end of the year	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523
40.6 Movement in fair value of plan assets												
Fair value at the beginning of the year	48,015,260	-	-	-	-	48,015,260	44,966,044	-	-	-	-	44,966,044
Interest income on plan assets	6,220,036	-	-	-	-	6,220,036	4,176,565	-	-	-	-	4,176,565
Contribution by the Bank - net	1,245,917	-	-	-	-	1,245,917	1,044,583	-	-	-	-	1,044,583
Benefits paid	(3,389,098)	-	-	-	-	(3,389,098)	(3,048,981)	-	-	-	-	(3,048,981)
Benefits paid on behalf of fund	1,631,059	-	-	-	-	1,631,059	1,439,981	-	-	-	-	1,439,981
Actuarial gain or (loss) on assets	(2,035,355)	-	-	-	-	(2,035,355)	(562,932)	-	-	-	-	(562,932)
Fair value at the end of the year	51,687,819	-	-	-	-	51,687,819	48,015,260	-	-	-	-	48,015,260
Movement in (receivable) / payable under defined benefits scheme of Holding Company												
Opening balance	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263	12,985,820	14,342,369	1,977,230	1,467,310	6,600,690	37,373,419
Charge / (reversal) for the year	3,071,935	2,499,240	247,226	479,022	1,196,309	7,495,742	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,024
Contribution by the bank - net	(1,245,917)	-	-	-	-	(1,245,917)	(1,044,583)	(860,398)	(200,539)	(50,210)	(246,800)	(2,402,530)
Re-measurement loss / (gain) recognized in OCI during the year	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)
Benefits paid on behalf of fund	(1,631,059)	(927,632)	(250,563)	(43,460)	(395,546)	(3,248,260)	(1,439,981)	-	-	-	-	(1,439,981)
	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263
40.7 Charge for defined benefit plans												
40.7.1 Cost recognised in profit and loss												
Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013
Actuarial loss recognized - Profit and loss	1,649,189	1,975,232	196,021	226,381	43,515	5,019,856	1,184,035	1,321,656	178,311	137,009	-	2,821,011
Net interest on defined benefit asset / liability	3,071,935	2,499,240	247,226	479,022	1,196,309	7,495,742	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,024
40.7.2 Re-measurements recognised in OCI during the year												
Loss / (gain) on obligation	-	-	-	-	-	-	-	-	-	-	-	-
Demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
Financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-
Experience adjustment	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)
Return on plan assets over interest income	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)
Total re-measurements recognised in OCI	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)

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	2019	2018
	----- Rupees in '000 -----	
40.8 Components of plan assets		
Pakistan Investment Bonds	22,127,729	268,527
Term Finance Certificates	104,000	104,000
Mutual Funds / Shares	5,870,329	5,421,318
Shares	6,288,248	6,371,337
Term Deposit Receipts	-	11,182,753
Defence Saving Certificates	7,538,347	6,491,911
Special Saving Certificates	8,523,972	17,716,001
Cash at Bank	1,235,194	459,413
	51,687,819	48,015,260

40.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as below:

	Pension fund	Post retirement medical scheme	Gratuity fund	Compensated absences	Total
	----- Rupees in 000' -----				
1% increase in discount rate	59,731,023	16,029,501	1,952,652	7,696,503	87,044,439
1% decrease in discount rate	74,656,525	21,207,687	2,509,748	9,087,126	109,339,701
1 % increase in expected rate of salary increase	69,982,864	19,187,427	2,517,736	9,119,946	102,579,888
1 % decrease in expected rate of salary increase	63,324,141	17,569,572	1,942,064	7,657,182	92,218,985
1% increase in expected rate of pension increase	70,709,400	19,733,042	-	-	90,442,442
1% decrease in expected rate of pension increase	62,838,244	17,127,894	-	-	79,966,138
1% increase in expected rate of medical benefit increase	-	18,876,280	-	-	18,876,280
1% decrease in expected rate of medical benefit increase	-	17,878,339	-	-	17,878,339

40.10 Expected contributions to be paid to the funds in the next financial year

1,377,606

40.11 Expected charge for the next financial year

7,412,823

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.23
Post retirement medical fund	14.12
Benevolent fund	6.97
Gratuity fund	12.62
Compensated absences	8.33

40.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below.

Current Assets	Amount Rupees in '000	Percentage
Cash and cash equivalents - net	1,235,194	2.4%
Government Securities	38,190,048	73.9%
Shares	6,288,248	12.2%
Non-Government Debt Securities	104,000	0.2%
Mutual Funds	5,870,329	11.4%
	51,687,819	100.0%

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

40.14 Significant risks associated with the staff retirement benefit schemes are as follows:

Asset volatility	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expectation.
Inflation risk	The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Life expectancy / Withdrawal rate	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
Investment Risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

41. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Group currently does not have any defined contribution plan.

Notes to the Consolidated Financial Statements

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42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	2019		Members Shariah Board	President / CEO *	Key Management Personnel
	Chairman	Non- Executives			
	Rs. in '000'				
Fees and Allowances etc.	2,550	28,650	-	-	-
Managerial Remuneration					
i) Fixed	-	-	7,359	49,557	146,697
ii) Total Variable	-	-	-	-	-
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	402	-	-
b) Bonus & Awards in Shares	-	-	-	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	681	790	80,897
Utilities	-	-	211	310	24,939
Medical	-	-	155	396	23,531
Conveyance	-	-	330	-	16,825
Others	1,654	5,759	25	2,784	14,858
Total	4,204	34,409	9,163	58,337	400,921
Number of Persons	1	10	3	2	861

* In initial month of the year 2019 Mr. Arif Usmani was CEO as well Chairman of the bank. However, his remuneration was reported in President / CEO column.

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

Performance bonus is accounted for on payment basis.

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

Items	2018		Members Shariah Board	President / CEO *	Key Management Personnel
	Chairman *	Non- Executives			
	Rs. in '000'				
Fees and Allowances etc.	-	20,250	-	-	-
Managerial Remuneration					
i) Fixed	-	-	5,630	44,479	86,006
ii) Total Variable	-	-	-	-	-
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	667	-	-
b) Bonus & Awards in Shares	-	-	-	10,176	67,647
Charge for defined benefit plan	-	-	-	9,358	32,530
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	557	1,495	70,272
Utilities	-	-	172	584	21,606
Medical	-	-	127	63	22,473
Conveyance	-	-	330	-	14,754
Others	-	5,645	25	2,246	10,399
Total	-	25,895	7,508	68,401	325,687
Number of Persons	-	6	3	2	718

* In 2018, Mr. Saeed Ahmed was CEO as well as Chairman. However, his remuneration has been reported in President / CEO column.

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

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42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019							
Sr. No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	
		Rs. in '000'							
1	Mr. Zubyr Soomro	2,276	-	578	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail	2,237	1,104	-	-	-	-	-	3,341
4	Ms. Sadaffe Abid	1,877	-	-	-	1,050	-	-	2,927
5	Mr. Tawfiq Asghar Hussain	1,050	1,050	600	-	-	-	300	3,000
6	Mr. Zafar Masud	1,200	-	-	1,350	1,200	-	300	4,050
7	Mr. Farid Malik	3,066	-	826	721	2,237	-	-	6,850
8	Mr. Imam Bukhsh Baloch	1,950	-	450	-	-	-	-	2,400
9	Mr. A. Akbar Sharifzada	1,050	498	-	583	-	-	-	2,131
10	Mr. Asad Munir	1,144	-	-	426	-	-	-	1,570
11	Mr. Muhammad Imran Malik	750	300	150	150	-	-	-	1,350
Total Amount Paid		19,145	4,674	3,370	6,014	4,810	-	600	38,613

		2018						
Sr. No.	Name of Director	Meeting Fees and Allowances Paid						
		For Board Meetings	For Board Committees					Total Amount Paid
			Board Audit & Compliance Committee	Board Risk Committee	Board HR & Remuneration Committee	Board IT Committee	Board Strategy & Development Committee	
		Rs. in '000'						
1	Mr. A. Akbar Sharifzada	2,242	1,387	-	1,629	-	-	5,258
2	Mr. Asad Munir	2,690	-	-	1,459	-	-	4,149
4	Mr. Farid Malik	3,336	-	490	-	656	-	4,482
5	Mr. Mir Balakh Sher Marri	1,155	415	55	631	-	-	2,258
6	Mr. Muhammad Imran Malik	2,149	1,200	450	-	-	-	3,799
7	Mr. Muhammad Naeem	2,263	1,502	215	1,377	591	-	5,948
Total Amount Paid		13,836	4,505	1,210	5,096	1,247	-	25,895

42.3 Remuneration paid to Shariah Board Members

Items	2019				2018			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
Rs. in '000'								
1. Meeting Fees and Allowances	-	-	-	-	-	-	-	-
2. Retainer Fee & Fixed Remuneration	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Amount paid	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Number of Persons	1	1	1	3	1	1	1	3

The above information does not include particulars of subsidiaries.

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43. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

43.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Carrying Value	2019			Total
		Level 1	Level 2	Level 3	
----- Rupees in '000 -----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	621,887,531	-	621,887,531	-	621,887,531
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	2,050,099	-	2,050,099	-	2,050,099
Ordinary shares of listed companies	41,983,147	41,983,147	-	-	41,983,147
Investment In mutual funds	2,144,783	2,144,783	-	-	2,144,783
Preference shares	79,388	35,956	-	43,432	79,388
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	4,646,071	-	4,646,071	-	4,646,071
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,101,192,921	72,199,835	1,028,949,654	43,432	1,101,192,921
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	293,198,090	-	-	-	-
Balances with other banks	13,598,325	-	-	-	-
Lendings to financial institutions	144,140,344	-	-	-	-
Investments					
Market Treasury Bills	114,155,009	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	30,231,741	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Advances	1,008,398,612	-	-	-	-
Other Assets	167,183,196	-	-	-	-
	1,961,460,789	-	-	-	-
	3,062,653,710	72,199,835	1,028,949,654	43,432	1,101,192,921

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	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----					
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348
On balance sheet financial instruments					
----- Rupees in '000 -----					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	742,071,830	-	742,071,830	-	742,071,830
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
Ijarah Sukuks	9,733,258	-	9,733,258	-	9,733,258
Ordinary shares of listed companies	39,239,727	39,239,727	-	-	39,239,727
Investments in mutual funds	2,410,974	2,410,974	-	-	2,410,974
Preference shares	125,936	39,072	-	86,864	125,936
Term Finance Certificates / Musharika and Sukuk Bonds	56,291,040	-	56,291,040	-	56,291,040
GoP Foreign Currency Bonds	24,946,934	-	24,946,934	-	24,946,934
Foreign Government Securities	1,791,502	-	1,791,502	-	1,791,502
Foreign Currency Debt Securities	1,457,561	-	1,457,561	-	1,457,561
Ordinary shares of a bank outside Pakistan	16,034,284	16,034,284	-	-	16,034,284
	1,091,699,941	57,724,057	1,033,889,020	86,864	1,091,699,941
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	247,917,421	-	-	-	-
Balances with other banks	13,049,725	-	-	-	-
Lending to financial instruments	106,391,667	-	-	-	-
Investments					
Market Treasury Bills	69,967	-	-	-	-
Pakistan Investment Bonds	157,492,035	-	-	-	-
Ordinary shares of unlisted companies	1,594,289	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	284,572	-	-	-	-
GoP Foreign Currency Bonds	2,859,233	-	-	-	-
Foreign Government Securities	25,866,066	-	-	-	-
Foreign Currency Debt Securities	532	-	-	-	-
Advances	926,339,789	-	-	-	-
Other assets	170,017,572	-	-	-	-
	1,651,882,868	-	-	-	-
	2,743,582,809	57,724,057	1,033,889,020	86,864	1,091,699,941
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	512,873,075	-	512,873,075	-	512,873,075
Forward government securities transactions	56,816,129	-	56,816,129	-	56,816,129

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Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

43.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

Carrying Value	2019			Total	
	Level 1	Level 2	Level 3		
----- Rupees in '000 -----					
Land & building (property and equipment)	48,575,943	-	48,575,943	-	48,575,943
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,860,796	-	51,860,796	-	51,860,796

Carrying Value	2018			Total	
	Level 1	Level 2	Level 3		
----- Rupees in '000 -----					
Land & building (property and equipment)	48,000,422	-	48,000,422	-	48,000,422
Non-banking assets acquired in satisfaction of claims	3,796,527	-	3,796,527	-	3,796,527
	51,796,949	-	51,796,949	-	51,796,949

44. SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

During the year the Group changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Last year the operating segments were commercial & retail banking, corporate banking, treasury, international banking, aitemaad & islamic banking, & head office/others.

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For the year ended December 31, 2019

	2019					Total
	Branch Banking	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Aitemaad & Islamic Banking	
Profit and loss account						
Net mark-up / return / profit	(67,521,771)	54,921,742	76,654,512	3,143,738	4,396,685	558,976
Inter segment revenue - net	132,894,813	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967
Non mark-up / return / interest income	15,710,640	2,858,775	9,610,964	1,831,482	543,892	7,204,114
Total Income	81,083,682	3,335,350	2,540,584	4,975,220	4,564,855	13,414,057
Segment direct expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	1,967,246
Inter segment expense allocation	-	-	-	-	-	26,725,319
Total expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	28,692,564
Provisions	2,804,748	8,030,099	1,899,416	(104,320)	(75,061)	1,002,220
Profit / (loss) before tax	47,582,190	(5,495,812)	330,960	802,901	2,038,488	(16,280,727)
Statement of financial position						
Cash and bank balances	174,096,865	238,501	82,716,513	42,748,449	4,410,976	2,585,111
Investments	-	38,801,666	1,316,800,220	61,079,182	19,416,280	6,306,609
Net inter segment lending	1,474,375,828	-	-	-	-	138,613,215
Lendings to financial institutions	-	-	132,718,198	-	11,419,496	2,650
Advances - performing / GoP	366,381,288	538,385,369	-	55,382,884	33,880,111	8,686,822
Advances - non-performing	20,283,141	32,196,797	-	41,049,352	203,934	55,643,830
Provision against Advances	(20,752,124)	(23,223,824)	-	(40,266,386)	(203,937)	(59,248,646)
Advances - net	365,912,305	547,358,342	-	56,165,850	33,880,108	5,082,006
Others	27,252,038	40,745,805	3,971,387	4,014,363	5,925,563	148,711,787
Total Assets	2,041,637,035	627,144,314	1,536,206,318	164,007,843	75,052,423	301,301,379
Borrowings	1,348,351	30,388,706	400,759,524	38,913,708	-	347,062
Deposits & other accounts	1,971,199,215	76,371,345	-	85,487,723	63,285,897	1,640,393
Net inter segment borrowing	-	488,444,930	1,081,180,371	36,248,474	7,115,268	-
Others	69,089,470	31,794,953	17,079,796	1,988,871	3,875,565	99,567,133
Total liabilities	2,041,637,035	626,999,934	1,499,019,691	162,638,777	74,276,729	101,554,589
Equity	-	144,380	37,186,627	1,369,066	775,697	199,746,791
Total Equity & liabilities	2,041,637,035	627,144,314	1,536,206,318	164,007,843	75,052,423	301,301,379
Contingencies & Commitments	833,218,160	236,880,686	823,455,129	28,997,140	-	31,345,046
						1,953,896,161

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2018						Total
	Branch Banking	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Aitemaad & Islamic Banking	Head Office / Others	
Rupees in '000							
Profit and loss account							
Net mark-up / return / profit	(26,862,520)	30,396,142	51,121,992	2,654,886	2,411,880	1,168,943	60,891,324
Inter segment revenue - net	72,329,938	(25,417,455)	(52,546,888)	-	(457,595)	6,092,000	-
Non mark-up / return / interest income	14,414,607	2,675,229	14,597,278	1,463,209	342,962	4,181,159	37,674,444
Total Income	59,882,025	7,653,917	13,172,382	4,118,094	2,297,247	11,442,103	98,565,768
Segment direct expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	1,939,393	35,871,463
Inter segment expense allocation	-	-	-	-	-	21,609,028	21,609,028
Total expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	23,548,421	57,480,491
Provisions	(1,237,477)	10,450,280	1,315,797	(730,549)	87,201	1,320,236	11,205,488
Profit / (loss) before tax	33,851,428	(3,516,232)	11,545,174	1,482,966	(56,994)	(13,426,554)	29,879,789
Statement of financial position							
Cash and bank balances	120,643,163	189,794	78,372,622	54,739,132	4,655,330	2,367,105	260,967,146
Investments	-	42,297,041	1,155,765,373	55,950,776	23,914,372	7,046,944	1,284,974,506
Net inter segment lending	1,321,328,630	-	-	-	-	120,549,579	1,441,878,209
Lendings to financial institutions	-	-	104,971,318	-	1,417,699	2,650	106,391,667
Advances - performing	341,125,237	500,111,019	17,990	46,230,666	26,741,353	11,739,346	925,965,612
Advances - non-performing	19,917,069	22,069,620	-	39,181,569	364,825	53,017,880	134,550,963
Provision against Advances	(20,155,956)	(20,141,547)	-	(38,328,525)	(278,995)	(55,271,763)	(134,176,786)
Advances - net	340,886,351	502,039,092	17,990	47,083,710	26,827,183	9,485,463	926,339,789
Others	28,212,221	50,731,814	9,761,367	3,904,176	2,142,202	130,461,368	225,213,148
Total Assets	1,811,070,364	595,257,740	1,348,888,670	161,677,794	58,956,786	269,913,109	4,245,764,465
Borrowings	584,977	21,864,290	333,432,591	36,400,842	-	456,696	392,739,396
Deposits & other accounts	1,774,318,173	80,797,426	-	104,127,206	51,022,237	1,047,584	2,011,312,625
Net inter segment borrowing	-	445,791,031	969,750,676	20,257,431	6,079,071	-	1,441,878,209
Others	36,167,214	45,304,962	24,212,749	1,650,467	1,146,690	80,290,856	188,772,940
Total liabilities	1,811,070,364	593,757,709	1,327,396,015	162,435,945	58,247,997	81,795,136	4,034,703,170
Equity	-	1,500,031	21,492,654	(758,151)	708,789	188,117,973	211,061,295
Total Equity & liabilities	1,811,070,364	595,257,740	1,348,888,670	161,677,794	58,956,786	269,913,109	4,245,764,465
Contingencies & Commitments	579,228,335	203,590,159	569,689,204	27,725,864	-	29,805,088	1,410,038,651

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

44.2 Segment details with respect to geographical locations

	2019					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
----- Rupees in '000 -----						
Profit and loss account						
Net mark-up / return/profit	68,805,824	68,371	81,192	1,028,536	2,169,958	72,153,882
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,903,457	398,445	303,359	579,091	575,516	37,759,867
Total Income	104,709,281	466,816	384,551	1,607,627	2,745,474	109,913,749
Segment direct expenses	36,144,294	1,809,948	720,501	1,328,813	649,772	40,653,328
Inter segment expense allocation	26,725,318	-	-	-	-	26,725,318
Total expenses	62,869,612	1,809,948	720,501	1,328,813	649,772	67,378,647
Provisions	13,629,289	(133,107)	(5,771)	28,281	38,409	13,557,101
Profit / (loss) before tax	28,210,380	(1,210,025)	(330,179)	250,533	2,057,293	28,978,001
Statement of financial position						
Cash and bank balances	262,626,290	25,653,998	10,435,547	5,119,150	2,961,430	306,796,415
Investments	1,379,539,117	34,982,676	-	10,751,978	17,130,186	1,442,403,957
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	144,140,344	-	-	-	-	144,140,344
Advances - performing	947,067,992	7,818,734	120,810	14,706,409	33,002,530	1,002,716,475
Advances - non-performing	107,957,426	34,842,092	1,168,349	-	5,409,187	149,377,054
Provision against advances	(103,342,532)	(34,853,042)	(1,168,349)	(34,009)	(4,296,985)	(143,694,917)
Others	951,682,886	7,807,784	120,810	14,672,400	34,114,732	1,008,398,612
Total Assets	226,262,248	3,075,071	121,839	373,587	788,196	230,620,940
	3,000,499,359	71,519,529	10,678,196	30,917,116	63,102,176	3,176,716,374
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits & other accounts	2,111,038,766	40,692,380	6,812,172	12,396,062	27,045,193	2,197,984,573
Net inter segment borrowing	-	25,343,803	3,679,631	15,332,672	-	44,356,106
Others	221,359,049	941,501	186,393	480,780	428,067	223,395,788
Total liabilities	2,765,241,459	68,803,612	10,678,196	30,532,228	62,238,326	2,937,493,819
Equity	235,257,903	2,715,918	-	384,888	863,849	239,222,555
Total Equity & liabilities	3,000,499,359	71,519,529	10,678,196	30,917,116	63,102,176	3,176,716,374
Contingencies & Commitments	1,924,899,021	4,703,237	3,479,436	6,359,387	14,455,079	1,953,896,161

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2018

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
Profit and loss account						
Net mark-up/return/profit	58,072,515	536,323	47,754	637,571	1,597,159	60,891,324
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	36,182,221	669,513	214,100	282,268	326,344	37,674,444
Total Income	94,254,736	1,205,836	261,854	919,839	1,923,503	98,565,768
Segment direct expenses	31,902,587	1,497,549	604,635	912,033	556,476	35,473,280
Inter segment expense allocation	22,007,212	-	-	-	-	22,007,212
Total expenses	53,909,799	1,497,549	604,635	912,033	556,476	57,480,491
Provisions	11,944,705	(738,013)	(181)	(127,712)	126,688	11,205,488
Profit / (loss) before tax	28,400,232	446,301	(342,600)	135,518	1,240,339	29,879,789
Statement of financial position						
Cash & Bank balances	204,558,218	20,945,364	7,576,196	25,721,371	2,165,997	260,967,146
Investments	1,228,052,678	29,217,423	-	8,201,033	19,503,372	1,284,974,506
Net inter segment lendings	20,257,430	-	-	-	3,975,816	24,233,246
Lendings to financial institutions	106,391,667	-	-	-	-	106,391,667
Advances - performing	879,519,319	9,079,486	559,157	5,373,523	31,434,126	925,965,612
Advances - non-performing	94,626,300	32,270,195	1,069,071	1,776,756	4,808,641	134,550,963
Provision against Advances	(95,482,803)	(32,019,278)	(1,074,372)	(1,781,391)	(3,818,940)	(134,176,786)
Others	878,662,816	9,330,403	553,857	5,368,888	32,423,828	926,339,789
	221,092,757	2,557,375	112,792	588,903	861,326	225,213,148
Total Assets	2,659,015,567	62,050,564	8,242,845	39,880,195	58,930,338	2,828,119,502
Borrowings	356,338,554	3,603,168	-	-	32,797,674	392,739,396
Deposits & other accounts	1,906,137,835	45,178,156	5,529,140	28,434,398	26,033,097	2,011,312,625
Net inter segment borrowing	-	10,200,719	2,551,012	11,481,515	-	24,233,246
Others	187,104,431	709,736	162,693	215,603	580,475	188,772,940
Total Liabilities	2,449,580,820	59,691,779	8,242,845	40,131,516	59,411,246	2,617,058,207
Equity	209,434,746	2,358,784	-	(251,321)	(480,908)	211,061,295
Total Equity & liabilities	2,659,015,567	62,050,564	8,242,845	39,880,195	58,930,338	2,828,119,502
Contingencies & Commitments	1,382,312,787	5,496,677	2,338,069	1,785,079	18,106,040	1,410,038,651

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

45. TRUST ACTIVITIES

45.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Structure Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs.500 million, Rs.396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by Government of Pakistan and Rs.54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 758 million as at December 31, 2019 (2018: Rs.672 million).

46. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in subsidiary companies, Joint venture and associated undertakings and their provisions are stated in note 10 of the financial statement of the Group.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019										2018									
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A. Ac)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A. Ac)	Provident Fund	Other related parties		
Balances with other banks																				
In current accounts	-	-	-	1,159	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	1,159	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments																				
Advances																				
Opening balance	-	222,967	3,105,907	-	-	-	-	-	217,063	-	145,369	3,314,085	-	-	-	-	-	-	-	
Addition during the year	-	74,615	-	-	-	-	-	-	11,246,254	-	20,234	-	-	-	-	-	-	-	33,956	
Repaid during the year	-	(22,888)	(69,157)	-	-	-	-	-	(14,896,873)	-	(27,052)	(208,178)	-	-	-	-	-	-	(39,503)	
Transfer in / (out) - net*	-	(45,889)	-	-	-	-	-	-	26,819,881	-	84,416	-	-	-	-	-	-	-	222,608	
Closing balance	-	228,805	3,036,750	-	-	-	-	-	23,866,325	-	222,967	3,105,907	-	-	-	-	-	-	217,063	
Provision held against advances	-	-	2,827,375	-	-	-	-	-	-	-	-	2,849,657	-	-	-	-	-	-	-	
Other Assets																				
Interest / mark-up accrued	-	-	1,710,481	-	-	-	-	-	-	-	-	1,704,892	-	-	-	-	-	-	-	
Borrowings																				
Opening balance	-	-	-	36,248	-	-	-	-	-	-	-	-	87,920	-	-	-	-	-	-	
Borrowings during the year	-	-	-	241,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	(49,672)	-	-	-	-	-	-	
Closing balance	-	-	-	279,814	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-	-	
Deposits and other accounts																				
Opening balance	10,732	80,689	-	-	1,085	11,100,000	456,328	12,465,939	-	15,614	62,048	-	-	1,248	10,300,000	514,539	12,749,309	-		
Received during the year	23,314	625,431	-	-	45,832,581	-	11,785,192	2,246,185	273,669,995	28,447	485,525	-	-	4,300,229	28,800,000	16,639,785	14,268,653	-		
Withdrawn during the year	(22,146)	(591,564)	-	-	(46,833,589)	(11,100,000)	(11,008,400)	(1,415,241)	(279,409,470)	(33,087)	(454,455)	-	-	(4,300,392)	(28,000,000)	(16,695,996)	(14,552,023)	-		
Transfer in (out) - net*	(8,065)	(19,840)	-	-	-	-	-	-	18,980,069	(242)	(12,429)	-	-	-	-	-	-	-	-	
Closing balance	3,835	94,716	-	-	73	-	1,235,120	13,296,883	14,299,993	10,732	80,689	-	-	1,085	11,100,000	499,328	12,465,939	-		
Contingencies & Commitments																				
	-	-	-	-	-	-	-	-	1,463,085	-	-	-	-	-	-	-	-	-	-	

* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

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	2019						2018					
	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
Income												
Mark-up / return / interest earned	-	-	112	-	-	-	-	-	153,652	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	1,660,682	-	-	-	-	-	17,496
Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	-	6,000	-	-	-	-	-	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	4,638	-	-	-	15,558	-	4,636	-	-	-	15,558
Expense												
Mark-up / return / interest paid	-	-	780	204,666	1,690,456	4,345,823	-	-	937	767,837	1,687,126	-
Transaction Fee paid to company in which director of the bank is interested as director	-	-	-	-	-	-	-	-	-	-	-	5,874
Remuneration to key management executives including charge for defined benefit plan	459,257	-	-	-	-	-	394,088	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	1,565	-	-	-	-	-	-

(Rupees in '000)

46.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,958 million (2018: 9,223 million) for the year ended December 31, 2019. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 377,158 million (2018: 353,001 million), Rs. 840,064 million (2018: 724,653 million) and Rs. 876,232 million (2018: 669,903 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 30,498 million (2018: 25,959 million) and Rs. 50,926 million (2018: 30,942 million) respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks/ DFIs are required to hold. Currently the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 14.00%.

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The bank has a leverage ratio of 3.44% in the year December 31, 2019 (2018: 3.51%) and Tier-1 capital of Rs 146,628 Million (2018: Rs 128,017 Million).

The SBP's regulatory capital as managed by the Bank is analysed into following tiers:

1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1
- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

2. Tier 2 Capital (going-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Tier III capital, has been eliminated in Basel III Capital requirements. Also the Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR). These deductions are being done in phased manner starting from 2014, with full deductions in 2018.

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Group for the year ended December 31, 2019 stood at Rs. 21,275 billion (2018: Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 15.82% (2018: 16.69%).

There have been no material changes in the Bank's management of capital during the year.

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	2019	2018
	----- Rupees in '000 -----	
Minimum Capital Requirement		
Paid-up capital	168,001,436	150,957,373
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	146,628,152	128,017,400
Eligible Additional Tier 1 Capital	-	-
Total Eligible Tier 1 Capital	146,628,152	128,017,400
Eligible Tier 2 Capital	41,295,951	45,126,290
Total Eligible Capital (Tier 1 + Tier 2)	187,924,103	173,143,690
Risk Weighted Assets		
Credit Risk	918,174,576	798,236,578
Market Risk	93,146,479	81,385,782
Operational Risk	176,625,691	157,972,625
Total	1,187,946,746	1,037,594,983
Common Equity Tier 1 Capital Adequacy Ratio	12.34%	12.34%
Tier 1 Capital Adequacy Ratio	12.34%	12.34%
Total Capital Adequacy Ratio	15.82%	16.69%
Leverage Ratio		
Tier-1 Capital	146,628,152	128,017,400
Total Exposures	4,260,315,310	3,650,341,045
Leverage Ratio	3.44%	3.51%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	890,965,256	949,424,482
Total Net Cash Outflow	603,741,462	560,346,109
Liquidity Coverage Ratio	148%	169%
Net Stable Funding Ratio		
Total Available Stable Funding	2,040,913,906	1,745,679,890
Total Required Stable Funding	875,207,068	544,123,198
Net Stable Funding Ratio	233%	321%

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47.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time, is placed on NBP's website. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

48. RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Bank has in place a well-defined risk management strategy/ policy with clear objectives and deliverables through multi-pronged risk management processes.

The Bank applies the Basel framework as a cornerstone of the NBP's risk management framework and capital strategy. The Bank maintains a strong capital, funding and liquidity position in line with its on-going commitment to maintain balance sheet strength. The strength of risk profile management of the Bank stands at the following pillars:

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.
- Optimize risk/return decisions by aligning them to business objective of achieving sustainable optimum growth.

In order to support RMG's activities, the strong data management mechanism is also in place to collect and consolidate exposure wise information various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, performing periodic review, generates reports and highlights inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

The Project for Business Process Review and COSO Implementation has been conducted, which resulted in re-aligning the existing documentation with improved risk-based process flows, reviewing and updating existing policies/procedure manuals, streamlining operating models such as centralization of various functions and rationalizing various system functionalities / features for better MIS reporting and Core Banking Application (CBA) optimization.

In addition, Information Security Division (ISD) became an integral part of Risk Management Group to confronting the emerging risks arises due to the introduction and use of IT based systems.

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group, i.e. separate from approvals and direct involvement in day-to-day activities. RMG reports directly to the President with a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholder value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Bank is/ may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Credit Committee, Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure formulation and implementation of risk management framework.

48.2 Risk Management Framework

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective & independent oversight and also that the activities take place as intended. Risk Management Group together with Compliance Group acts as second line of defence and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defence. The risk management is further strengthened by the third line of defence, where Board Audit & Compliance Committee and Audit & Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Bank's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

48.2.1 Credit Risk

Credit risk is the possibility that a debtor or counterparty can default on its contractual obligations to the Bank in accordance with agreed terms. Bank lending activities account for most of the Bank's credit risk, however, other sources of credit risk also exist throughout the undertakings of the Bank. The activities include loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. Bank has a separate setup that ensures the effectiveness of the framework for assessment / measurement, review and reporting of credit risk.

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Bank has in place a concentration policy to classify the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential clients, counterparties, groups and to various industry segments. These risks are analysed on perpetual basis and is subject to frequent review. Vis-à-vis, Bank ensures that credit exposures are adequately collateralized and comprehensive risk palliating measures are taken to regulate overall credit risk exposure in accordance with Bank's tolerance limits.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions, Bank also has an Internal Ratings System / Model based on multiple risk factors. The model provides an understanding of borrowers' current and future financial health. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, group, or industry is assessed frequently and accordingly limit setting is tailored in accordance with the evolving socio-economic / market conditions.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

48.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Public/ Government	11,419,496	1,417,699	-	-	-	-
Private	132,896,998	105,150,118	176,150	176,150	176,150	176,150
	144,316,494	106,567,817	176,150	176,150	176,150	176,150

48.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Cement	19,453	19,453	19,453	19,453	19,453	19,453
Chemical	2,073,812	323,812	323,812	323,812	323,812	323,812
Construction	3,885,489	2,064,990	1,633,738	1,633,739	1,633,738	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,425,089	1,820,112	656,831	667,725	656,831	667,728
Sugar	785,469	835,681	785,469	396,799	572,385	396,799
Textile	1,151,768	651,768	651,768	651,768	651,768	651,768
Transport	2,803,718	7,267,013	-	-	-	-
Financial	9,344,916	7,114,844	90,886	90,889	82,126	82,122
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Miscellaneous	787,524	665,814	25,992	25,992	25,992	25,992
Leather & Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	66,660	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology & Communication	11,072	178	11,072	178	11,072	178
Vanaspati & Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil & Gas Marketing	95,986	95,986	686	686	686	686
Cable & Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts & Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	35,464,521	36,697,825	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper & Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	500,000	500,000	-	-	-	-
Services	950,000	-	-	-	-	-
	60,670,593	59,484,729	5,571,484	5,182,817	5,349,640	5,174,053
Credit risk by public / private sector						
Public/ Government	32,463,359	42,259,958	7,620	7,620	7,620	7,620
Private	28,207,234	17,224,771	5,563,864	5,175,197	5,342,020	5,166,433
	60,670,593	59,484,729	5,571,484	5,182,817	5,349,640	5,174,053

48.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
Agriculture, Forestry, Hunting & Fishing	59,016,306	49,666,062	5,565,495	4,402,110	4,133,877	3,177,683
Mining & Quarrying	2,079,833	22,745	870,598	17,801	465,220	17,801
Textile	130,890,548	110,834,171	35,442,889	39,189,567	34,127,452	38,864,424
Chemical & Pharmaceuticals	3,698,135	6,412,431	2,789,583	3,063,802	2,781,935	3,003,942
Cement	28,285,797	26,342,584	4,177,487	2,065,304	2,466,565	2,065,304
Sugar	34,415,033	38,302,949	14,441,205	12,582,927	12,666,718	12,154,881
Footwear and Leather garments	2,095,757	2,360,408	847,135	807,322	846,235	807,322
Automobile & Transportation Equipment	8,711,039	7,106,454	959,014	977,325	959,014	962,608
Electronics & Electrical Appliances	7,204,298	6,409,085	2,234,231	2,285,963	2,222,981	2,229,713
Construction	12,243,093	12,381,574	5,323,770	5,123,880	5,304,434	5,085,105
Power (electricity), Gas, Water, Sanitary	289,464,374	276,911,048	5,434,940	3,773,655	4,448,807	3,773,655
Wholesale and Retail Trade	36,292,574	43,646,055	10,806,629	4,305,951	10,533,434	4,166,539
Exports / Imports	1,486,667	763,528	68,583	383,341	68,583	375,841
Transport, Storage and Communication	56,653,305	59,970,440	10,106,198	9,406,544	7,940,445	8,117,092
Financial	40,447,197	27,235,071	77,317	452,815	77,317	290,018
Services	14,209,909	12,931,115	2,060,883	2,407,848	1,619,394	2,404,385
Individuals	170,406,547	149,014,052	6,154,918	7,077,943	4,218,970	4,900,135
Flour Mills	3,467,902	2,959,383	708,232	543,893	662,512	493,115
Rice processing & Trading	26,950,629	28,657,001	4,575,187	4,574,543	4,494,866	4,545,340
Food and tobacco	12,026,044	8,115,938	3,884,056	2,700,660	3,358,342	2,663,201
Fertilizer	20,813,179	19,677,499	2,885,878	2,899,669	2,860,734	2,899,008
Metal Products	67,474,262	64,875,984	23,353,861	19,090,063	22,345,884	17,967,424
Telecommunication	16,307,814	13,209,014	1,135,662	1,074,241	1,135,662	1,074,241
Public Sector Commodity Operations	66,638,547	67,222,362	73,785	73,785	73,785	73,785
Engineering	24,966,577	13,499,460	1,423,696	1,373,475	1,421,196	1,340,601
Glass and Ceramics	5,043,655	2,328,244	423,641	422,595	423,641	422,595
Media	2,222,899	2,324,999	151,457	151,457	151,457	151,457
Paper & Board	1,820,422	1,709,687	953,829	700,655	655,672	588,257
Plastic products	2,751,131	2,156,121	666,403	945,564	488,349	923,077
Sports goods	727,511	552,477	93,818	141,282	87,818	141,282
Others	3,282,542	2,918,633	1,686,673	1,534,985	1,647,667	1,289,850
	1,152,093,529	1,060,516,575	149,377,054	134,550,963	134,688,966	126,969,680

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
Public/ Government	377,158,182	353,000,659	2,522,432	2,526,128	2,522,432	2,526,128
Private	774,935,347	707,515,916	146,854,622	132,024,835	132,166,534	124,443,552
	1,152,093,529	1,060,516,575	149,377,054	134,550,963	134,688,966	126,969,680

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	2019	2018
	----- Rupees in '000 -----	
48.2.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting & Fishing	235,536	223,213
Mining & Quarrying	3,000	1,720,601
Textile	9,792,996	7,187,737
Chemical & Pharmaceuticals	14,507,473	14,423,521
Cement	10,121,549	5,922,193
Sugar	742,270	629,349
Footwear and Leather garments	10,928	22,890
Automobile & Transportation Equipment	1,979,186	2,702,508
Electronics & Electrical Appliances	2,154,502	2,200,308
Construction	9,697,086	5,946,949
Power (electricity), Gas, Water, Sanitary	159,559,087	162,518,899
Wholesale and Retail Trade	1,555,095	4,026,616
Exports / Imports	27,996	15,640
Transport, Storage and Communication	17,513,951	17,106,207
Financial	901,993,463	609,243,935
Insurance	-	-
Services	746,058,170	505,211,701
Individuals	264,219	322,799
Fertilizer	3,853,225	2,112,212
Metal Products	2,365,866	2,621,921
Telecommunication	15,745,882	10,829,417
Public Sector Commodity Operations	1,095,352	1,145,176
Rice processing & Trading	44,951	145,000
Food and Tobacco	687,387	194,405
Glass and Ceramics	1,553,100	628,694
Paper & Board	551,120	657,319
Engineering	48,284,197	50,207,516
Plastic Products	142,657	265,048
Flour Mills	19,352	-
Surgical equipments	750	5,108
Others	3,335,814	1,801,769
	1,953,896,161	1,410,038,651

Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

Public / Government	876,232,352	669,902,699
Private	1,077,663,809	740,135,952
	1,953,896,161	1,410,038,651

48.2.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,036,638 million (2018: Rs. 832,299 million) are as follows:

	2019	2018
	----- Rupees in '000 -----	
Funded	238,481,635	252,217,265
Non Funded	798,156,427	580,082,098
Total Exposure	1,036,638,062	832,299,363

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The sanctioned limits against these top 10 exposures aggregated to Rs. 1,073,636 million (2018: Rs. 866,076 million)

Total funded classified therein	2019		2018	
	Amount	Provision held	Amount	Provision held
	----- Rupees in '000 -----			
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	2,522,432	2,522,432	2,522,432	2,522,432

48.2.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2019						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	----- Rupees in '000 -----						
Punjab	228,866,286	228,147,162	303,200	-	-	125,043	299,671
Sindh	364,638,630	10,707,703	262,168,186	549,899	27,482,303	63,721,751	-
KPK including FATA	9,492,232	-	-	9,492,232	-	-	-
Balochistan	4,979	-	-	-	4,979	-	-
Islamabad	42,498,179	12,015,495	10,717,298	2,764,372	-	17,001,014	-
AJK including Gilgit-Baltistan	4,921,666	3,882	-	-	-	-	4,917,784
Total	650,421,971	250,874,241	273,188,684	12,806,502	27,487,282	80,847,807	5,217,455

Province/Region	2018						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	----- Rupees in '000 -----						
Punjab	223,164,822	221,904,428	1,260,394	-	-	-	-
Sindh	418,508,463	19,080,988	337,521,741	4,575,993	1,860,380	55,469,362	-
KPK including FATA	10,156,322	-	-	10,156,322	-	-	-
Balochistan	4,762,370	-	-	-	4,762,370	-	-
Islamabad	68,921,607	8,303,687	17,918,593	628,607	-	42,070,720	-
AJK including Gilgit-Baltistan	5,489,347	-	-	-	-	-	5,489,347
Total	731,002,931	249,289,103	356,700,728	15,360,922	6,622,750	97,540,082	5,489,347

48.2.2 Market Risk

Market Risk is the potential for losses to arise from trading activities undertaken by the Bank as a result of movements in market rates or prices such as interest rates, foreign exchange rates, and equity prices.

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies/ procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, and spread movements of its earning assets, liabilities and trading activities. Bank has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel regulatory framework. Whereas, Stress testing for Interest Rate, Equity Prices, and Exchange Rates risks related to market and non-market based activities is carried out regularly to estimate the impact on the capital of the Bank.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits/ zones and Management Action Triggers & Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed. These triggers are used for proposing / recommending actions to ALCO for deliberation and necessary action.

48.2.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Rupees in '000 -----					
Investments	1,404,699,717	37,704,240	1,442,403,957	1,131,243,233	153,731,273	1,284,974,506
	1,404,699,717	37,704,240	1,442,403,957	1,131,243,233	153,731,273	1,284,974,506

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48.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interBank market, financial institutions and corporate. The Bank's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2019				2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----								
United States Dollar	155,613,306	282,671,076	141,330,602	14,272,832	172,564,319	255,340,224	92,479,631	9,703,726
Great Britain Pound Sterling	4,386,930	6,303,626	6,257,773	4,341,077	3,222,776	6,359,124	4,988,131	1,851,783
Japanese Yen	5,142,262	1,304,374	(1,973,457)	1,864,432	5,111,187	10,672,051	7,099,183	1,538,319
Euro	8,582,016	9,514,725	6,608,767	5,676,058	7,962,131	8,889,610	6,666,157	5,738,678
Other currencies	76,936,212	27,595,177	4,171,279	53,512,314	68,798,819	22,978,120	1,314,137	47,134,836
	250,660,726	327,388,978	156,394,964	79,666,712	257,659,232	304,239,130	112,547,239	65,967,342

	2019		2018	
	Banking book	Trading Book	Banking Book	Trading Book
----- Rupees in '000 -----				
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	-	-	-
- Other	5,612	-	1,322	-

48.2.2.3 Equity position Risk

The trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Bank, hence, deplete capital. The Group's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss limits and/ or through diversification within the structure of overall equity position portfolio.

	2019		2018	
	Banking book	Trading Book	Banking Book	Trading Book
----- Rupees in '000 -----				
Impact of 5% change in equity prices				
- Profit and loss account	-	2,816	-	-
- Other	2,560,070	-	3,254,053	-

48.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Bank which may result in instability of market based interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of Banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

The above mentioned risks are not only measured, monitored, and managed from the regulatory purpose, but from the perspective of internal management.

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48.2.3 Operational Risk

The Bank may suffer losses due to its exposure to Operational Risk. To mitigate, a comprehensive Operational Risk Management (ORM) Framework has been developed to align the Bank's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank including launching of new products and services by the bank. Bank realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis.

Bank has also conducted Root Cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per regulatory framework, Bank calculates capital charge for its operational risk using Basic Indicator Approach.

48.2.4 Information Security Risk

In today's highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the Confidentiality, Integrity and Availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented.

The Bank, hence, classifies Information as a critical asset and declares the related information storing, processing and transmitting facilities/systems as Information Assets. Information may exist in many forms across the organization such as digital as well as non-digital (paper based). Hence, the Risk Management Group is responsible to provide a framework for information security risk management of information assets to the respective stakeholders. The information security risk management includes risk identification, risk analysis, risk evaluation and risk treatment plans. Information Security Risk Management Framework (ISRMF) v1.0 has been approved by BoD in its 292nd meeting whereas Cyber Security Management Framework (CSMF) v1.0 has been recommended for BoD approval by ERC and BRCC Management Forums.

In addition to above IS Division is also working on Frameworks related IS Incident & Forensics and Card Security, there are other relevant information security domains in which the Information Security Division is responsible for governance and/or execution such as Information/Cyber Security awareness and trainings, Digital Payments Security and Internet/Mobile Banking Security reviews. The respective division is taking care of all such aspects by ensuring the information security in NBP while taking in loop other relevant stakeholders such as Technology & Digitalization Group, Compliance, Operations etc. The Information Security Division of Risk Management Group has also revised the Information Security Policy v3.0 in 2018 which is applicable Bank wide for information security assurance. The division reviews the policy matters related to the information security of NBP's international branches as and when contacted by the International Banking Group and currently overseeing implementation of GDPR at Frankfurt and Paris branches. The security reviews of various applications are conducted in coordination with the respective business group (owner) as well as the Technology and Digitalization Group (custodian). The establishment of Security Operations Center (SOC) to monitor Information Security operations and PCI DSS certification for Payment Card Infrastructure are major strategic initiatives that IS division is currently working on.

Notes to the Consolidated Financial Statements

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48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Downward Shift in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in combinations are covered under the Bank-wide Recovery Plan. These risks are monitored on certain frequency and corrective actions are taken as and when deemed necessary.

The Bank has also started preparation on periodic basis to implement advanced methodologies of risk quantification based on sophisticated modeling techniques; macro-stress testing is, one of the tool developed and implemented by the Bank, conducted assuming synthetic deterioration in macro-economic factors to possibly measure the impact on capital of the Bank which is based on time series methodology and is validated.

48.2.6 Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

To mitigate this risk, management has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Bank's reputation, as well as to capitalize on opportunities for business expansion and profitability. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs / requirements. Bank has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

48.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2019

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Rupees in '000													
Assets													
Cash and balances with treasury banks	293,138,090	291,148,729	81,595	-	601,101	798,971	281,610	569,701	-	-	-	-	-
Loans to financial institutions	13,598,325	6,676,578	1,594,006	887,922	470,900	435,643	281,610	381,123	-	-	-	-	-
Investments	1,442,403,957	4,947,640	63,689	1,316,622	2,096,000	4,696,962	14,695,312	254,655,396	1,417,699	7,942,635	98,526,197	205,730,846	-
Advances	1,008,388,612	314,485,555	3,444,494	48,123,224	47,540,751	76,113,053	58,168,112	27,636,733	36,974,663	188,113,878	53,733,283	177,837,223	128,733,080
Fixed assets	1,070,766	-	-	57,759	79	87,144	16,585	81,231	124,963	2,857,355	183,241	1,881,390	48,647,162
Right of use assets	7,447,414	20	-	57	12,813	39,092	18,712	152,551	333,520	815,155	9,299,695	1,811,699	4,462,730
Other assets	167,183,196	26,571,546	228,109	716,570	28,554,846	14,052,343	1,910,834	1,922,937	53,560,054	9,269,695	2,597,274	2,369,269	388,156,738
Liabilities													
Bills payable	19,867,424	19,867,424	136,596,941	52,584,155	63,956,844	111,532,202	108,148,969	594,337,842	298,459,804	283,380,174	168,832,478	282,306,006	-
Borrowings	471,757,352	3,468,570	314,697,849	55,955,355	13,787,296	23,928,202	22,070,344	34,720	342,720	863,598	2,927,955	2,908,254	2,111,350
Deposits and other accounts	2,197,984,573	1,834,856,665	16,489,427	114,411,441	56,248,507	12,464,141	37,582,592	35,590,618	27,718,422	11,749,879	14,177,982	25,542,734	1,586,472
Liabilities against assets subject to finance lease	194,403	-	-	78	13,695	1,155	39,013	20,309	56,266	355,554	138,137	1,692,291	4,700,296
Lease liability against right of use assets	7,831,350	-	-	-	-	-	-	-	155,405	853,555	-	6,382,513	4,486,840
Deferred tax liabilities	10,869,353	-	-	985,613	15,212,576	29,705,804	15,981,287	1,056,906	956,683	18,253,862	4,527,368	9,142,946	8,529,141
Other liabilities	184,633,258	79,135,146	739,486	406,431	85,262,073	66,097,301	75,883,236	59,548,944	29,230,506	31,222,883	22,624,976	45,668,738	21,413,059
Net assets	2,893,137,713	1,937,337,636	331,917,762	15,697,821	171,362,486	1,187,663,331	(118,786,331)	(1,305,229)	1,953,888,948	252,167,291	146,207,592	236,637,268	366,745,640
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	53,260,789	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	93,465,516	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	70,388,987	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	862,532	-	-	-	-	-	-	-	-	-	-	-	-
2,893,222,555													

2018

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Rupees in '000													
Assets													
Cash and balances with treasury banks	247,917,421	247,804,031	112,170	-	1,220	800,616	579,334	124,800	-	-	-	-	-
Loans to financial institutions	13,049,725	7,125,383	1,696,740	726,892	297,066	100,000	100,000	-	-	-	-	-	-
Investments	1,06,391,667	5,268,226	101,773,988	4,645,594	511,535,944	7,885,919	74,571,877	45,232,653	27,366,463	108,754,181	1,417,689	77,483,170	128,453,908
Advances	1,294,974,505	281,289,173	706,551	33,651,739	63,488,653	15,928,109	78,451,705	50,239,901	41,077,691	44,208,705	61,897,924	141,942,693	104,486,510
Fixed assets	54,338,676	67,599	-	932	484	848,389	2,768,717	829,322	1,517,222	48,003,739	10,594	219,989	79,689
Right of use assets	866,900	361	-	-	-	81,686	81,687	-	104	-	655	47,298	562,554
Deferred tax assets	170,017,672	15,184,894	1,508,194	990,863	34,517,528	13,437,028	13,437,028	1,596,276	1,596,284	52,288,530	11,959,391	2,780,936	-
Other assets	2,803,886,256	556,739,659	324,831,916	39,974,020	609,848,115	58,771,766	170,211,629	98,559,074	71,672,394	253,235,175	149,014,137	222,474,056	233,576,671
Liabilities													
Bills payable	9,944,178	9,944,178	209,012,046	13,101,617	9,839,857	9,273,007	10,036,692	137,518	114,598	137,518	-	113,425	3,912,140
Borrowings	362,739,296	3,807,347	15,116,465	97,152,770	20,674,327	41,762,510	60,123,706	34,859,415	16,165,004	10,664,701	9,897,854	15,465,016	1,228,467
Deposits and other accounts	2,011,312,625	1,671,217,257	15,116,465	10,597,114	56,248,507	12,464,141	37,582,592	35,590,618	27,718,422	11,749,879	14,177,982	25,542,734	1,586,472
Liabilities against assets subject to finance lease	121,077	-	-	-	-	-	-	-	32,640	-	-	-	-
Lease liability against right of use assets	6,945,767	(3,904)	-	83,016	23,884,327	1,142	10,260,759	806,361	(35,229)	28,660,687	88,437	(4,897,365)	11,072,427
Deferred tax liabilities	171,761,916	51,302,513	234,738	34,624	36,236,836	66,097,301	75,883,236	59,548,944	29,230,506	31,222,883	22,624,976	45,668,738	21,413,059
Other liabilities	2,592,824,961	1,739,267,191	224,763,239	10,337,403	54,397,510	27,542,211	80,421,147	35,803,294	17,084,533	39,513,115	13,639,705	19,413,000	7,355,620
Net assets	211,061,295	(1,179,927,553)	(103,089,677)	(70,963,363)	555,451,635	(28,770,445)	89,190,662	62,756,580	54,587,851	213,722,069	135,154,432	203,061,056	210,610,488
Share capital	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	53,442,643	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	76,239,599	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	59,282,177	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	841,745	-	-	-	-	-	-	-	-	-	-	-	-
211,061,295													

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2019									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	293,198,090	165,580,920	3,238,348	58,620,388	58,393,118	7,365,317	-	-	-	-
Balances with other banks	13,598,325	11,287,456	1,212,496	435,643	662,730	-	-	-	-	-
Lending to financial institutions	144,140,344	132,680,048	2,099,962	14,935,084	779,950,229	1,417,699	7,942,635	-	-	-
Investments	1,442,403,957	7,993,610	52,418,872	14,935,084	84,415,381	188,113,879	96,113,283	98,526,197	186,426,924	17,925,878
Advances	1,008,398,612	301,052,085	167,020,539	58,704,756	36,874,679	2,854,733	53,761,740	177,837,223	87,170,265	41,561,943
Fixed assets	54,919,564	60,385	87,223	16,585	820,869	2,854,733	751,216	1,692,577	-	48,635,974
Intangible assets	1,070,766	52,222	-	-	147,765	124,984	183,241	-	562,553	-
Right of use assets	7,447,414	77	13,907	39,062	171,263	333,520	691,665	1,735,189	3,270,264	1,192,466
Other assets	167,183,196	52,295,634	32,968,857	11,926,911	4,534,201	53,568,054	9,269,695	2,597,274	22,269	22,269
	3,132,360,268	671,002,638	259,060,205	144,678,429	929,095,557	290,652,866	168,713,476	282,388,460	277,430,007	109,338,630
Liabilities										
Bills payable	19,867,424	9,433,021	570,011	204,891	8,241,485	1,418,016	-	-	-	-
Borrowings	471,757,352	379,637,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-
Deposits and other accounts	2,197,984,573	666,411,562	109,958,653	270,006,867	321,735,872	270,687,403	273,115,486	284,480,259	1,586,471	-
Liabilities against assets subject to finance lease	194,403	-	-	-	56,266	-	138,137	-	-	-
Lease liability against right of use assets	7,831,350	78	14,849	39,013	175,714	355,554	1,692,291	6,382,513	3,424,044	1,276,252
Deferred tax liabilities	10,869,353	-	-	-	-	-	853,555	9,142,946	4,486,840	-
Other liabilities	184,633,258	68,624,279	53,683,032	19,033,656	2,839,973	18,253,864	4,527,367	304,606,262	4,264,070	4,264,070
	2,893,137,713	1,124,306,421	201,940,043	311,356,772	356,374,192	291,578,424	281,562,500	9,142,946	15,872,776	5,540,323
Net assets	239,222,555	(453,303,784)	57,120,162	(166,678,343)	572,721,365	(925,558)	(112,849,024)	(22,217,802)	281,557,231	103,798,307
Share capital	21,275,131	-	-	-	-	-	-	-	-	-
Reserves	53,260,789	-	-	-	-	-	-	-	-	-
Unappropriated profit	93,465,516	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	70,358,587	-	-	-	-	-	-	-	-	-
Non-controlling interest	862,532	-	-	-	-	-	-	-	-	-
	239,222,555	-	-	-	-	-	-	-	-	-

	2018									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	247,917,421	149,243,117	3,045,009	45,715,194	45,715,194	4,198,907	-	-	-	-
Balances with other banks	13,049,725	10,645,625	899,549	800,616	703,934	-	-	-	-	-
Lending to financial institutions	106,391,667	104,773,868	100,000	100,000	100,000	-	1,417,699	-	-	-
Investments	1,284,974,506	229,851,387	518,838,296	74,571,877	73,308,516	108,754,182	74,038,674	77,495,845	112,598,318	15,517,410
Advances	926,339,789	268,857,214	153,883,978	63,526,738	87,820,432	44,222,486	61,600,705	141,942,693	65,399,030	39,086,513
Fixed assets	54,338,676	68,821	21,279	8,518	892,627	2,768,127	836,186	1,471,695	206,820	48,064,904
Intangible assets	856,900	361	70	-	81,990	81,887	47,298	-	562,553	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	170,017,572	33,885,515	53,759,963	12,181,685	3,182,561	52,268,529	11,958,391	2,411,299	369,629	-
	2,803,886,256	797,325,708	730,548,144	196,904,629	211,705,254	212,294,117	149,934,397	223,368,831	179,136,350	102,868,827
Liabilities										
Bills payable	9,944,178	4,582,707	346,059	263,711	4,467,402	284,298	-	-	-	-
Borrowings	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,140	-
Deposits and other accounts	2,011,312,825	600,584,974	87,037,730	281,557,087	288,413,100	249,499,932	248,713,086	254,280,249	1,226,467	-
Liabilities against assets subject to finance lease	121,077	-	-	-	32,640	-	68,437	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	6,945,767	(3,904)	(142)	-	(35,229)	-	-	-	(4,087,385)	11,072,427
Other liabilities	171,761,918	44,730,352	65,064,835	11,800,339	2,324,938	28,690,897	3,873,414	7,921,943	3,677,600	3,677,600
	2,592,824,961	1,009,669,782	171,560,346	303,657,819	295,454,966	278,612,645	252,674,937	262,315,617	4,128,822	14,750,027
Net assets	211,061,295	(212,344,073)	558,987,798	(106,753,191)	(83,748,712)	(66,318,528)	(102,740,540)	(88,946,766)	175,007,528	87,918,800
Share capital	21,275,131	-	-	-	-	-	-	-	-	-
Reserves	53,442,643	-	-	-	-	-	-	-	-	-
Unappropriated profit	76,239,599	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	59,262,177	-	-	-	-	-	-	-	-	-
Non-controlling interest	841,745	-	-	-	-	-	-	-	-	-
	211,061,295	-	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

48.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, fx and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivative contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, Forward rate agreements, Foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

49. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2018: Rs. Nil per share) amounting to Rs. Nil (2018: Rs. Nil) at its meeting held on February 28, 2020 for approval of the members at the annual general meeting to be held on March 24, 2020. These consolidated financial statements do not reflect this appropriation as explained in note 5.21.

50. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year. Such reclassifications do not impact the Group's previous year reported profit or equity.

51. GENERAL

51.1 Figures have been rounded off to the nearest thousand rupees.

52. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 28, 2020 by the Board of Directors of the Bank.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

Sr. No.	Name & Address of the borrower	Name of Individuals / Partners/ Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at beginning of year				Total (5+6+7)	Principal written-Off	Interest/ Mark-up written off.	Other financial relief / waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	6					
1	Muhammad Hayat Nasir	3	4	5	6	7	8	9	10	11	12	
1	Street Ahmad Faqeer Wali Near Mujahid Town Mianwali	Muhammad Hayat Nasir 36302-3075384-1	Malik Ali Muhammad	536	308	-	844	536	-	308	844	
2	Asama Enterprises 210, 2ND Floor, Mallia Plaza Multan Cantt. Multan	Mr. Shabbir Elahi Rana 36302-9515440-3	Mr. Asghar Elahi Rana	2,996	956	121	4,073	-	-	520	520	
3	Khawar Naseer Baig House # 13 Mohallah Khan Colony Chungi No. 7, LMC Road Multan	Mr. Khawar Naseer Baig 36302-7289487-5	Mirza Naseer Baig	2,100	864	180	3,144	-	-	645	645	
4	Farooq Ahmed House # 149, Nemat Street Garden Town Multan	Mr. Farooq Ahmed 36302-0461756-5	Nemat Ali Khan	465	2,279	335	3,079	-	-	1,390	1,390	
5	M/s Nadeem Textile Mills 890 - Ittefaq Pura Chungi # 14 Multan	Muhammad Naeem Iqbal 36302-8653737-1 Muhammad Nadeem Iqbal 36302-9994936-1	Haji Khushi Muhammad Haji Khushi Muhammad	-	1,665	105	1,770	-	-	1,217	1,217	
6	Bhinder Traders Basawal Guranwala C/o Zamindara Rice Mills Tawandi Musa Khan Distt Gujranwala.	Muhammad Bashir 34101-1317812-9	Miraj Din	-	605	5,438	6,043	-	-	2,598	2,598	
7	Silk Route Transport Company General Bus Stand Jutial Gilgit	Col Karim Ahmad Shah 71501-464425-3 Javed Wali 71502-2045149-3 Mirbaz Khan 71501-5375141-1	Shah Jahan Ghulam Wali Khan Mir Ahmad Khan	-	7,399	333	7,732	-	-	7,399	7,399	
8	Tanveer Hassan H.No.CB=1028, Gali-6, Darus Salam, Dhoke Ziarat Kamalabad, Rawalpindi	Tanveer Hassan 37405-4789714-9	Manzoor Hussain	482	60	-	542	482	-	60	542	
9	Muhammad Ramzan Dhoke Gujran, P.O.Sadar, House No.460, Rawalpindi	Muhammad Ramzan 37405-5251018-3	Jan Muhammad Mughal	529	6	-	535	529	-	-	529	
10	Zulkarnain Ali Shah Sheikhan Gul Ahmad Shah PO Bazar Ahmad Khan Bannu	Zulkarnain Ali Shah 11101-0487604-5	Syed Akber Ali Shah	582	7	-	589	582	-	7	589	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Sr. No.	Name & Address of the borrower	Name of Individuals / Partners/ Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest / Mark-up written off.	Other financial relief / waiver provided.	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total (5+6+7)				
11	(i) Murshid Cotton Ginning & Pressing Factory (ii) Hinglaj Oil Mill (iii) Dileep Kumar Fertilizer Survey No. 311 Nawabshah Road 6-B Dimtapa Rawitiani Taluka Sindhoro District Sanghar Fakir Cotton ginning Pressing & Oil Mills Fakirabad Gambat Al Waheed House, FT # 2, 43, Rose Street, MCNeil Road, Cantt Karachi G.M Fishries 1-B, Fish Harbour, West Wharf Road Karachi	Ramesh Kumar 44203-9253012-5 Pehaj Mal 44203-6098905-7 Meero Mal 44203-2261716-1 F.S. ZAwwaruddin 42301-1541255-3 Iqtidar Uddin 42301-2230777-3 F.S.Aizazuddin 440-88-001410 M. Younus 42201-6461314-3 M.ahmood Yousuf 42201-4461513-3 Imran Mehmood 42201-2595267-5 Muhammad Arshad 34302-0129609-5	Pehaj Mal Geneso Mal Gawal Mal F.S. Aizazuddin Fakir S. Aizazuddin F.S.Waheeduddin	17,603	23,893	-	41,496	-	1,407	1,407	
12				9,477	-	-	9,477	-	2,367	2,367	
13				-	4,748	-	4,748	-	2,173	2,173	
14	Muhammad Arshad Band Road Mohallah, Masoom Pura Pindi Bhattian	Muhammad Arshad 34302-0129609-5	Muhammad Ashraf	619	37	-	656	619	-	37	656
15	Muhammad Farooq-e-Azam S/O Allah Baksh Thanda Pani, Islamabad	Muhammad Farooq-e-Azam 32402-7040301-5	Allah Baksh	311	298	-	609	311	-	298	609
16	Muhammad Iqbal S/O Muhammad Khan House No. 409 Street No. 02 Dhoke Sector-2 Bajora Phase - 8 Rawalpindi M/S Phoenix Metalware	Muhammad Iqbal 34402-1665065-3 Ms. Uzma Baig 34603-1726845-2 Shahnez Akhtar 34603-3405569-6 Muhammad Yousaf Abid 35302-4458233-3	Muhammad Khan Saleem Mirza Baig Shaheen Baig Shahadat	1,166	-	-	1,166	1,166	-	-	1,166
17				-	4,934	-	4,934	-	3,900	3,900	
18	Muhammad Yousaf Abid House No. 147 Faisal Colony No.1 Okara	Muhammad Yousaf Abid 34603-3405569-6	Shahnez Akhtar Muhammad Yousaf Abid 35302-4458233-3	635	503	-	1,138	635	-	-	635
19	Late Imdad Ali Soomro Humal Muhallah Warrah, Dist: Kamber Shahdadkot.	Late Imdad Ali Soomro (Deceased) 43207-0809188-9	Ghulam Rasool Soomro	581	-	-	581	581	-	-	581
20	Muhammad Raziq (D) Mohallah Skar Koi, Danyore Gilgit	Muhammad Raziq (D) 71501-6096034-3	Shakoor Ali	516	175	-	691	516	-	-	516
21	M/S Malhi Travels House # 82, Block Y New Satellite Town Sargodha	Muhammad Azhar Malhi 38403-5972424-7	Muhammad Saleem	-	431	3,002	3,433	-	863	863	
	Total			29,121	53,711	14,448	97,280	5,957	25,189	31,146	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 190 (2018: 192) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2019.

		2019	2018
		----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks		4,405,856	4,649,968
Balances with other banks		5,841	4,319
Due from financial institutions	1	11,419,496	1,417,699
Investments	2	19,416,280	23,914,372
Islamic financing and related assets - net	3	33,880,482	26,827,280
Fixed assets		174,862	275,435
Right of use assets (ROUA)		861,049	-
Other assets		5,888,864	1,998,587
Total Assets		76,052,730	59,087,660
LIABILITIES			
Bills payable		256,804	228,382
Due to financial institutions		-	-
Deposits and other accounts	4	63,285,896	51,022,121
Due to head office		2,784,801	3,920,506
Lease liability against ROUA		943,375	-
Other liabilities		3,767,018	1,065,012
		71,037,894	56,236,021
NET ASSETS		5,014,836	2,851,639
REPRESENTED BY			
Islamic banking fund		2,200,000	2,200,000
Surplus / (deficit) on revaluation of assets		775,696	708,789
Unappropriated / unremitted profit / (loss)	6	2,039,140	(57,150)
		5,014,836	2,851,639

The profit and loss account of the Bank's Islamic banking branches for the year ended 2019 is as follows:

		2019	2018
		----- Rupees in '000 -----	
Profit / return earned	7	7,144,877	3,117,907
Profit / return expensed	8	(3,284,831)	(1,423,091)
Net profit / return		3,860,046	1,694,816
Other income			
Fee and commission income		436,935	285,190
Foreign exchange income		105,951	19,466
Other income		1,006	39,140
Total other income		543,892	343,796
Total income		4,403,938	2,038,612
Other expenses			
Operating expenses		(2,440,512)	(2,008,278)
Total other expenses		(2,440,512)	(2,008,278)
Profit / (loss) before provisions		1,963,426	30,334
Provisions and write offs - net		75,714	(87,484)
Profit / (loss) before taxation		2,039,140	(57,150)
Taxation		-	-
Profit / (loss) after taxation		2,039,140	(57,150)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
1 Due from Financial Institutions	Rupees in '000					
Secured						
Unsecured						
Bai Muajjal Receivable from State Bank of Pakistan	11,419,496	-	11,419,496	1,417,699	-	1,417,699
	11,419,496	-	11,419,496	1,417,699	-	1,417,699

This represent Bai Muajjal agreement with Government of Pakistan and Statement Bank of Pakistan which carries profit rate 12.78% per annum. (2018: 12.82%)

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
2 Investments by segments:	Rupees in '000							
Federal Government Securities:								
- Ijarah Sukuks	2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
	2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
Non Government Debt Securities								
- Listed	4,400,000	-	602,100	5,002,100	600,000	-	5,211	605,211
- Unlisted	12,371,391	(130,807)	194,796	12,435,380	12,996,390	(130,807)	759,694	13,625,277
	16,771,391	(130,807)	796,896	17,437,480	13,596,390	(130,807)	764,905	14,230,488
Total Investments	18,771,391	(130,807)	775,696	19,416,280	23,336,390	(130,807)	708,789	23,914,372

	Note	2019	2018
		Rupees in '000	
3 Islamic financing and related assets			
Ijarah	3.1	255,639	436,069
Murabaha	3.2	1,716,542	2,024,071
Musawama		22,243	69,867
Diminishing Musharaka		15,869,641	11,971,073
Istisna		-	525,434
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murabaha, DM, Istasna)		7,180,631	3,580,044
Inventory related to Islamic financing (Istisna)		539,349	-
Gross Islamic financing and related assets		34,084,045	27,106,558
Less: provision against Islamic financings			
- Specific		(203,324)	(278,995)
- General		(239)	(283)
		(203,563)	(279,278)
Islamic financing and related assets - net of provision		33,880,482	26,827,280

	2019						
	Cost			Depreciation			Book Value as at December 31, 2019
At January 1, 2019	Additions / (deletions)	As at December 31, 2019	At January 1, 2019	Charge for the year	As at December 31, 2019		
	Rupees in '000						
Plant & Machinery	738,959	28,958	449,702	356,592	110,354	178,289	271,413
		(318,215)			(288,657)		
Vehicles	153,536	-	83,185	99,834	50,777	98,959	(15,774)
		(70,351)			(51,652)	-	-
Total	892,495	28,958	532,887	456,426	161,131	277,248	255,639
		(388,566)			(340,309)		
	2018						
	Cost			Accumulated depreciation			Book Value as at December 31, 2018
As at Jan 01, 2018	Additions / (deletions)	As at December 31, 2018	As at Jan 01, 2018	Charge for the year	As at December 31, 2018		
	Rupees in '000						
Plant & Machinery	451,451	287,508	738,959	216,383	140,209	356,592	382,367
Vehicles	78,867	74,669	153,536	6,682	93,152	99,834	53,702
Total	530,318	362,177	892,495	223,065	233,361	456,426	436,069

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Future Ijarah payments receivable

	2019				2018			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
Ijarah rental receivables	86,070	217,069	-	303,139	159,136	323,779	-	482,915

3.2 Murabaha	Note	2019	2018
		Rupees in '000	
Murabaha financing	3.2.1	1,716,542	2,024,071
Advances for Murabaha		2,000,000	2,102,566
		<u>3,716,542</u>	<u>4,126,637</u>

3.2.1 Murabaha receivable - gross	Note	2019	2018
		Rupees in '000	
Less: Deferred murabaha income	3.2.4	71,105	25,372
Profit receivable shown in other assets		47,648	63,237
Murabaha financings		<u>1,716,542</u>	<u>2,024,071</u>
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		2,112,680	1,299,670
Sales during the year		9,329,239	9,048,097
Adjusted during the year		9,606,624	8,235,087
Closing balance		<u>1,835,295</u>	<u>2,112,680</u>
3.2.3 Murabaha sale price		9,329,239	9,048,097
Murabaha purchase price		8,842,127	8,757,480
		<u>487,112</u>	<u>290,617</u>
3.2.4 Deferred murabaha income			
Opening balance		25,372	40,769
Arising during the year		487,847	268,985
Less: Recognised during the year		442,114	284,382
Closing balance		<u>71,105</u>	<u>25,372</u>

4 Deposits	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	20,455,905	94,851	20,550,756	16,286,985	60,170	16,347,155
Savings deposits	22,671,179	-	22,671,179	26,885,268	-	26,885,268
Term deposits	12,720,085	-	12,720,085	2,608,640	-	2,608,640
	<u>55,847,169</u>	<u>94,851</u>	<u>55,942,020</u>	<u>45,780,893</u>	<u>60,170</u>	<u>45,841,063</u>
Financial Institutions						
Current deposits	815,386	-	815,386	505,685	-	505,685
Savings deposits	3,028,490	-	3,028,490	126,897	-	126,897
Term deposits	3,500,000	-	3,500,000	4,548,476	-	4,548,476
	<u>7,343,876</u>	<u>-</u>	<u>7,343,876</u>	<u>5,181,058</u>	<u>-</u>	<u>5,181,058</u>
	<u>63,191,045</u>	<u>94,851</u>	<u>63,285,896</u>	<u>50,961,951</u>	<u>60,170</u>	<u>51,022,121</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	----- Rupees in '000 -----	
4.1 Composition of deposits		
- Individuals	28,456,381	23,931,004
- Government / Public Sector Entities	17,564,494	16,962,630
- Banking Companies	7,339,558	5,060,664
- Non-Banking Financial Institutions	4,318	120,394
- Private Sector	9,921,145	4,947,429
	63,285,896	51,022,121
4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 31,851 million (2018: Rs. 26,139 million).		
5 Charity Fund		
Opening Balance	1,059	469
Additions during the period		
Received from customers on account of delayed payment	11,852	1,059
	12,911	1,528
Payments / utilization during the period		
Education	-	469
Health	2,000	-
Closing Balance	10,911	1,059
'Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	1,000	-
Sindh Institute of Urology and Transplantation (SIUT)	1,000	-
	2,000	-
6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)		
Opening Balance	(57,150)	(228,135)
Add: Islamic Banking profit / (loss) for the period	2,039,140	(57,150)
Less: Transferred / remitted to Head Office	57,150	228,135
Closing Balance	2,039,140	(57,150)
7 Profit/Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,385,613	1,663,027
Investments	2,325,785	1,428,950
Placements	206,344	16,977
Others (Bai Muajjal)	1,227,135	8,953
	7,144,877	3,117,907
8 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	2,817,622	965,496
Amortisation of lease liability against - ROUA	91,487	-
Others (General Account)	375,722	457,595
	3,284,831	1,423,091

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

9 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 43 during the year and 29 as at December 31, 2019)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Avenues/sectors of economy/business where Mudaraba based deposits have been deployed.

Sector	2019	2018
	----- Percentage -----	
Fertilizer	2.16%	3.14%
Textile	6.48%	3.40%
Fuel & energy	41.72%	45.13%
Leasing/Modarbas	0.29%	0.59%
Sugar	5.88%	4.03%
Cement	10.54%	13.67%
Gas	2.57%	3.13%
Financial	4.87%	1.81%
Federal Government	17.43%	19.20%
Others	8.07%	5.89%
Total	100.0%	100.0%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-19
	Rupees in '000
Mudarib Share	
Gross Distributable Income	4,731,636
Mudarib (Bank) share of profit before Hiba	1,778,374
Mudarib Share in %age	38%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	1,778,374
Hiba from bank's share to depositors	241,201
Hiba from bank's share to depositors in %age	14%

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 11.90% and the profit rate distributed to the depositors is 7.27%.

Pattern of Shareholding Report

As of December 31, 2019

Description	No of shareholders	No of Shares	PKR 'Mn
			per %
Government			
M/S. FEDERAL GOVERNMENT OF PAKISTAN	1	6,238,919	0.29
M/S. PAKISTAN ATOMIC ENERGY COMMISSION	1	679,424	0.03
PRIVATISATION COMMISSION OF PAK MINISTRY OF PRVT. & INVEST.	1	1,656,788	0.08
Associated Companies, Undertakings and related parties			
FIRST CREDIT & INVESTMENT BANK LIMITED	1	70,000	0.00
CDC- TRUSTEE NBP STOCK FUND	1	330,000	0.02
STATE BANK OF PAKISTAN	1	1,599,845,728	75.20
Mutual Funds	27	15,123,625	0.71
Director, Chief Executive, and their spouse and minor children			
FARID MALIK	1	1,000	0.00
SHAHIDA NAEEM	1	23,000	0.00
MUHAMMAD NAEEM	1	23,500	0.00
SAADIA SOHAIL RAJPUT	1	3,000	0.00
Executives	3	18,745	0.00
Public Sector Companies and Corporations	9	123,053,232	5.78
Banks, Development finance institutions, non-banking finance companies, insurance companies, takaful companies, and modarabas			
	26	27,043,246	1.27
General Public			
Local	11,790	127,813,523	6.01
Foreign	63	924,490	0.04
Foreign Companies	66	174,972,960	8.22
Others	196	49,691,846	2.34
TOTALS	12,190	2,127,513,026	100.00

Shareholders holding five percent or more voting rights in the public sector company.

STATE BANK OF PAKISTAN	1,599,845,728	75.20
------------------------	---------------	-------

Glossary of Financial and Banking Terms

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Associate

An entity over which the Bank has significant influence.

Available-for-Sale (AFS) Financial Investments All non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, financial investments – Held to maturity and financial investments at fair value through profit or loss.

Basel III

The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Basis Point (BP)

One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Capital Adequacy Ratio

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards

developed by the Bank for International Settlements (BIS) and as modified by the CBSL to suit local requirements.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

General Loan Impairment Provisions

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

Commitments

Credit facilities approved but not yet availed by the clients as at the reporting date.

Contingencies

A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to shareholders and others.

Correspondent Bank

A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost/Income Ratio

Operating expenses as a percentage of total operating income.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment in debt securities.

Currency SWAPS

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Deferred Taxation

Sum set aside in the Financial Statements

for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as "Arrears".

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. interest rate) that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Letters of Credit (LCs)

Written undertaking by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Systemically Important Banks (D-SIBs)

Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis.

Earnings per Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

ESOP (Employee Share Ownership Plan)

A method of giving employees shares in the business for which they work.

Exposure at Default (EAD)

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

Expected Credit Losses (ECLs)

ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual

cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)

All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Global Reporting Initiatives (GRI)

The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Group

A parent company and all its subsidiaries.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

Held-to-Maturity (HTM) Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

High Quality Liquid Assets (HQLA)

Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or

expects to collect them later than they are contractually due.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Charge

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Rate SWAP

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Interest Spread

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Lifetime Expected Credit Losses (LTECL)

Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on "Financial Instruments", the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

Liquidity Coverage Ratio – LCR

Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loan-to-value ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss given default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Market Capitalisation

The value of an entity obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Interest Income (NII)

The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Non-Controlling Interest (NCI)

Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

Nostro Account

A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

Net Stable Funding Ratio (NSFR)

Measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Open Credit Exposure Ratio

Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Parent

An entity that controls one or more entities.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by the earnings per share.

Price to Book Value

Market price of a share divided by the net assets value of a share.

Probability of Default (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

Related Parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Subsidiary

An entity that is controlled by another entity.

Substance over Form

The consideration that the accounting treatment and presentation of Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital

(Common Equity Tier 1 – CET 1)

Common Equity Tier 1 (CET1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

Tier I Capital

(Additional Tier 1 Capital – AT 1)

Additional Tier 1 Capital (AT1) is a component of Tier 1 capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividend can be cancelled at any time.

Tier II Capital

Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Yield to Maturity (YTM)

Discount rate at which the present value of future cash flows would equal the security's current price.

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71ST ANNUAL GENERAL MEETING OF NATIONAL BANK OF PAKISTAN

Form of Proxy

Folio No. _____ or CDC participant identity no. _____

CDC A/C No. _____

I/We _____

of _____

being a member(s) of the National Bank of Pakistan, holding shares no. _____

hereby appoint _____ of _____

also a member of the National Bank of Pakistan (Folio No. _____) or failing him/her _____

of _____ also a member of National Bank of Pakistan (Folio No. _____) as my/our Proxy to vote

for me/us and on my/our behalf at the 71st Annual General Meeting of National Bank of Pakistan, to be held on Tuesday,

March 24, 2020 at 10:30 am (PST), at Crystal Ballroom Marriat Hotel, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2020

Witnesses:

1. Name: _____

Address: _____

CNIC No. _____

2. Name: _____

Address: _____

CNIC No. _____

**Affix Revenue Stamp
of Five Rupees**

Signature _____

(Signature should agree with the
specimen signature registered
with the Bank)

NOTE:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person shall act as a Proxy, who is not a member of the bank except that the Government of Pakistan/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a Proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than the Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a Proxy, together with the power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited with our Registrar/Transfer Agents, Messrs CDC Share Registrar Services Limited, CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one Proxy, and more than one instruments of Proxy are deposited by a member with the Bank, all such instruments of Proxy shall be rendered invalid.

B. For CDC Account Holder:

1. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
3. The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with Proxy Form to the Bank.

نیشنل بینک آف پاکستان کا 71 واں سالانہ اجلاس عام

نمائندے کا فارم (پروکسی فارم)

فولیو نمبر..... سی ڈی سی پارٹیسپنٹ آئیڈنٹیفیکیشن نمبر.....

سی ڈی سی اکاؤنٹ نمبر.....

میں / ہم.....

جن کا تعلق.....

سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئرز نمبر..... کا/کے رکن ہوتے ہوئے بذریعہ ہذا..... کے..... کو

جو کہ نیشنل بینک آف پاکستان (فولیو نمبر.....) کا رکن بھی ہے یا..... کے..... کی ناکامی کی صورت میں جو کہ نیشنل بینک آف پاکستان

(فولیو نمبر.....) کا رکن بھی ہے کو میرے/ہمارے نمائندے کے طور پر نامزد کرتا ہوں/کرتے ہیں تاکہ وہ نیشنل بینک آف پاکستان کے 71 ویں سالانہ اجلاس عام میں میری/ہماری طرف

سے اور میرے/ہمارے لیے ووٹ کرے۔ یہ اجلاس عام 24 مارچ، 2020، بروز منگل، بوقت صبح 10:30 بجے، کرسٹل بال روم، میریٹ ہوٹل، کراچی میں اور اس کے کسی التواء پر منعقد ہوگا۔

اسے 2020ء کے..... کو دستخط کیا گیا:

پانچ روپے کی
ریوینو اسٹیپ

گواہان:

1- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

2- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

دستخط.....

(دستخط بینک کے ساتھ درج نمونے کے دستخط سے لازم آہنگ ہونے چاہئیں)

نوٹ

(الف) عمومی:

1- رکن جو اجلاس میں شریک ہونے اور ووٹ ڈالنے کا اہل ہے وہ اپنا نمائندہ مقرر کرنے کا بھی اہل ہے تاکہ وہ نمائندہ اس کی جگہ شریک ہو اور ووٹ ڈالے۔ کوئی بھی شخص جو بینک کا رکن نہیں ہے اس کو نمائندہ کے طور پر مقرر نہیں کیا جاسکتا (حکومت پاکستان یا بینک دولت پاکستان/کارپوریشن اس سے مستثنیٰ ہیں)۔

2- نمائندے کی تقرری کا معاہدہ/وثیقہ تحریری طور پر اختیار دیے گئے رکن یا اس کے کسی مختیار کار/وکیل کی جانب سے دستخط ہونا چاہئے۔ اگر رکن کوئی کارپوریشن ہے (حکومت پاکستان اور بینک دولت پاکستان کے علاوہ) تو اس کی عمومی مہر معاہدے/وثیقہ پر چسپا ہونی چاہئے۔

3- نمائندے کی تقرری کا معاہدہ/مختار نامہ کے ساتھ، اگر کوئی ہے، جس کے تحت اُسے دستخط کیا گیا ہے یا اُس کی کوئی توثیقی طور پر سند یافتہ نقل، اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل ہمارے رجسٹرار/ٹرانسفر ایجنٹس، میسرز سی ڈی سی شیئرز رجسٹرار سروسز سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی میں لازماً جمع کروائی جائے۔

4- اگر مہر ایک سے زیادہ نمائندے مقرر کرتا ہے اور بینک کے ساتھ رکن کی جانب سے ایک سے زیادہ نمائندے کا معاہدہ/وثیقہ جمع کروایا گیا ہے تو ایسے تمام نمائندے کے معاہدات ناجائز ٹھہرا دیے جائیں گے۔

(ب) سی ڈی سی اکاؤنٹ ہولڈر کے لیے:

(i) پروکسی فارم دوا فراد کی جانب سے گواہی فراہم کیے گئے ہوں گے جن کے نام، پتے اور سی این آئی سی نمبر فارم پر درج ہوں گے۔

(ii) پروکسی فارم کے ساتھ سی این آئی سی کی تصدیق شدہ نقول یا مستفید ہونے والے مالکان کے پاسپورٹ کی تصدیق شدہ نقول پیش کیے جائیں گے۔

(iii) اجلاس کے وقت پروکسی اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرے گا/گی۔

(iv) حکومت پاکستان/بینک دولت پاکستان/کاروباری ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ یا کالت نامہ نمونے کے دستخط پروکسی فارم کے ساتھ بینک کی طرف لازماً کروانے ہوں گے۔

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